

Review of the Taxi Cab and Hire Car Industries

Interim Report



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

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

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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.

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***Submissions on the recommendations and options proposed in this interim report should be received no later than 17 September 1999. Comments or inquiries regarding this review should be directed to:
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FOREWORD

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

This interim report presents the Tribunal's preliminary recommendations for a variety of options to improve the regulation of taxis and hire cars in New South Wales. The Tribunal seeks further submissions on the options for reform.

The taxi and hire car industries are vital links in the New South Wales transport networks. Taxis provide approximately 27 million door-to-door trips in Sydney each year. By connecting with other public transport modes such as buses, ferries and trains, taxis add flexibility to travel that can be completed on public transport.

However, Sydney's taxi industry has problems. Isolated complaints about poor quality drivers and vehicles, or trip refusals punctuate the more generalised problem of there being insufficient taxis at peak times, at shift changeover times, and at key locations such as the airport. Concerns about the hire car industry relate mainly to restrictions on entry and on the development of new markets.

One of the NSW Government's stated objective is to provide persons with disabilities with an affordable, timely, and easily accessible transport service. These services are provided by various transport means, but taxis have an especially important role, given their flexibility and door-to-door service.

The Tribunal has reviewed the reasons for regulating taxi and hire car services. The Tribunal is satisfied that regulating the quality of services benefits passengers and the industries. However, it is not clear that restricting the number of taxi and hire car licences generates any significant benefits for passengers, drivers, or anyone working in the industries other than the licence owners.

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

Taxi services in rural and regional locations appear to operate relatively free of the problems experienced in Sydney. The major issue brought to the Tribunal's attention is the under- or over-supply of taxis in certain locations. The Tribunal believes the Government should issue more licences in locations with insufficient taxis to meet passengers' needs. However, it is difficult to see any benefit to passengers if the number of taxis operating in a location is reduced.

The Tribunal can see no benefits from restrictions to entry in the hire car industry. The Tribunal has recommended that the number of hire car licences issued in Sydney and rural and regional locations be unrestricted, subject only to the regulation of driver and vehicle standards.

An increase in the number of hire car licences in Sydney and certain other proposed changes to regulations, are likely to decrease waiting times during the taxi changeover periods, provide more transport to and from the airport, offer more transport options to people with disabilities, and provide a flexible transport option during the Olympic Games. Hire car industries will be able to develop in rural and regional locations if there is a demand for these services. Removing the restriction on the number of hire car licences issued will have limited impact on the existing hire car industry.

The Tribunal's main findings can be summarised as:

- The number of taxis licences in the Sydney metropolitan area should be increased by 5 per cent per year for the next five years. Thereafter, the Government should review the need to retain restrictions on entry.
- The Department of Transport should produce a report annually, comparing Sydney with other Australian cities to determine whether there are sufficient taxi licences to meet passengers' needs. Measures to be applied include: the number of taxis per 1000 population, surveys of waiting times at taxi ranks, pick-up times for telephone bookings, and average numbers of hirings per taxi.
- Entry to the hire car industry should be opened, but regulation of operators, drivers and vehicle standards should continue.
- The Department of Transport should issue more taxis licences in rural and regional areas which have insufficient taxis.
- Taxi co-operatives and companies should be subject to benchmark standards for average pick-up times, driver and vehicle quality, provision of wheelchair accessible services, and complaints handling. The Department of Transport should produce a public report every six months, comparing how each taxi co-operative or company has performed against these standards.
- Maximum fares should continue to be regulated, but the flagfall fare should increase by \$1 at night to encourage a greater supply of taxis. A minimum fare of \$10 should apply from the airport to discourage drivers from refusing short trips.
- The annual licence fee for short term licences for wheelchair accessible taxis (WATs) should be reduced to an administration fee of \$1,000, and the subsidy paid to under the Taxi Transport Subsidy Scheme should be increased by paying a \$5 collection fee to drivers for WAT hirings. The scheme should be extended to hire cars, calculated on a per km rate.

I look forward to receiving responses to this interim report from all stakeholders. The submissions received will help the Tribunal to finalise its recommendations to the Government.

Thomas G Parry
Chairman
9 August 1999

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OVERVIEW AND SUMMARY OF RECOMMENDATIONS

The Tribunal's review is part of the NSW Government's commitment to reform, prior to 2000, all legislation restricting competition. The Premier's terms of reference require the Tribunal to recommend any changes to the regulation of the taxi and hire car industries which might increase the levels of service and competition in these industries.

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

Current service levels in the taxi and hire car industries

Residents and visitors express a high level of satisfaction with Sydney taxi services.¹ More than half of all residents and visitors rate Sydney's taxi industry as equal to the quality of taxi services in other Australian cities and superior to those in major overseas cities. NSW taxi fares are slightly lower than those in other states.

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

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

Demand for taxi services is highly seasonal and varies dramatically over the course of each day. In part, this explains why the taxi industry has difficulty meeting peak demand and why part time drivers are an important part of the industry. A fleet of taxis large enough to meet peak demand will carry significant excess capacity for long periods, making it difficult to recover sufficient fare revenue to meet taxi operating costs and pay a return or make lease payments on the value of a taxi licence plate.

Private hire vehicles are high quality chauffeur driven vehicles which provide a passenger service through private arrangements. They differ from taxis in that they are not allowed to obtain hires from the street or taxi ranks.

While the DoT receives very few complaints about hire cars, reports on the hire car industry published in 1983 and 1996 argue that the constraint on supply of licences in the hire car industry has stifled innovation and the development of new markets.

¹ Transport Data Centre Survey Report No. 98/4.

Benefits of continuing to regulate the taxis and hire cars industries

The Tribunal considers there could be significant benefit in regulating minimum service standards and fares for taxis. In a deregulated market, conditions in the rank and hail² markets make it difficult for passengers to select higher quality or cheaper taxis. This situation allows poor quality or expensive taxis to remain in business. Maintaining minimum standards and some control over fares benefits passengers directly and benefits Sydney's tourist industry and business community indirectly.

Regulation of the number of taxi licences serves no purpose in itself, and can be justified only if it is necessary for the enforcement of service standards. This is particularly true for busy ranks such as airports where peak passenger flows require quick loading times, and pressures on drivers from rank congestion and driver waiting times can be longest. However, it does not of itself justify generalised restrictions on the number of licences.

Improving the availability of taxis

Since the early 1960s, the number of taxi per 1000 population in Sydney has remained within the range of 1.04 to 1.14. The Tribunal believes that the current number of taxi licences in Sydney does not meet the demand for taxi services at peak times and at certain locations and has fallen behind general growth in the demand for taxis services.

However, the Tribunal wishes to ensure a sensible strategy is adopted to free up the regulation of taxis in Sydney. The Sydney taxi industry operates in a very restricted environment. Regulation covers all aspects of the industry from drivers' behaviour to the management of taxi companies and the provision of network communications services. Taxi industry participants are closely involved in policy issues, and the DoT is closely involved in decisions which directly affect how operators and taxi companies manage their businesses.

In the Tribunal's view, both industry participants and the DoT should have the experience of operating in a freer environment before full deregulation is considered. Further, the Tribunal's recommendations on open entry to the hire car industry will increase competition and transport options in the upper end of the transport market. Accordingly, the Tribunal supports a phased increase in the number of taxi licences so that industry, passengers and the DoT can adjust to a more open environment.

The Government's current policy is to issue additional 6 yearly, non-transferable licences for wheelchair accessible taxis at the rate of 20 per month from August 1998. This represents annual growth of approximately 5 per cent in licence numbers. The Tribunal considers that this rate of increase should be continued for a period of five years from 2000 to 2005 for general taxi licences. Following this the Government should review again the need to retain restrictions on the number of taxi licences.

Recommendation

The Tribunal recommends that the number of taxi licences in Sydney be increased by 5 per cent per annum between 2000 and 2005, following which time the Government should review whether it is necessary to retain restrictions on the issue of taxi licences.

² 'Rank' refers to a designated place where taxis wait in line for passengers. 'Hail' refers to taxis being flagged down in the street as they approach a passenger.

During the five year period, 2000-2005 the DoT should monitor the availability of taxis, and develop and publish a comprehensive range related to indicators related to demand for and supply of taxi services.

Recommendation

The Tribunal recommends that the Department of Transport develop and publish at 6 monthly intervals a range of measures of the demand for taxi services. These should include:

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

The Tribunal does not have separate service quality indicators for each rural and regional location. However, wide disparities in the number of taxis per 1000 population suggests there may be too few taxis in some locations and a surplus in others.

The Tribunal believes that customer service would be improved by increasing the supply of taxis in locations which are suffering shortages. However, the Tribunal cannot see any benefit in reducing the supply of taxis at this time in areas which the taxi industry regards as having a surplus of taxis.

Recommendation

The Tribunal recommends that the Department of Transport conduct periodic surveys of rural and regional locations to judge the adequacy of current supplies of taxi licences. Adequacy of supply should be judged from waiting times at ranks and for radio bookings, and the average number of bookings per vehicles. Benchmarks should be developed by comparing rural and regional locations in NSW with those in other States.

The Tribunal believes that the private interests of existing licence holders should be considered by controlling the rate at which the supply of licences is increased. A predictable and steady increase in the number of taxi licences will avoid unnecessary shocks to licence values.

In rural and regional areas, all taxi co-operatives are owned by their members. One way to increase the supply of licences while minimising the impact on existing licence owners is to issue licences free to the co-operatives. The capital value of pre-existing licences would be preserved, albeit spread across a greater number of licences.

In the Sydney transport district, this mechanism cannot be used as the traditional co-operative ownership structure is no longer in place. The Tribunal supports the continued issue of six-yearly, non-transferable licences in order to limit the impact of new licences on existing licence holders. However, the Tribunal suggests that the usefulness of licence restrictions be reviewed after 2005.

Recommendation

The Tribunal recommends that all new licences issued in Sydney between 2000 and 2005 be six-yearly, non-transferable licences to limit the impact of new licences on existing unrestricted licence holders.

The Tribunal seeks comments on the appropriate method of issuing six-yearly, non-transferable licences for normal taxis during the period 2000 to 2005 and the appropriate fee for these licences.

Improving the availability of hire cars

The hire car sector has remained highly regulated, essentially to protect the demarcation between taxi owners and hire car owners. From 1965 to 1998, the number of perpetual, unrestricted licences in the private hire car industry has remained static at about 240. An additional 20 unrestricted licences were auctioned in 1998. All hire car licence holders must operate one of a limited category of vehicles and conform with minimum vehicle age requirements. However, maximum hire car fares are not regulated by the DoT.

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

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

Where hire car operators succeed in establishing themselves in markets currently serviced by taxis, this will free up capacity within the existing supply of taxis. This should result in greater availability of taxi and hire car services at peak periods and at locations such as the airport. With the growth in transport demand likely from the Olympic Games, additional hire cars are essential to provide an immediate boost to Sydney's transport services.

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

Recommendation

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

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

However, the Tribunal believes that there is some benefit in using hire car vehicle standards to maintain some separation between the services offered by hire cars and taxis. Without some separation, deregulation of hire cars will effectively deregulate entry to the taxi

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

The Tribunal wishes to foster an active and dynamic hire car industry, but avoid developing a large 'minicab' industry along the lines of that operating in the United Kingdom. However, the option of creating a minicab industry to provide direct competition with taxis for all telephone bookings should be reconsidered after 2005 if the taxi industry is not delivering a sufficient level of service to passengers.

The Tribunal believes some form of regulation should be used to differentiate the hire car industry and the taxi industry. The Tribunal seeks comments on the most appropriate mechanism to achieve this differentiation while minimising the restrictions on the vehicles that may be operated as hire cars.

The prohibition on hire cars cruising on streets looking for work is a fundamental part of the distinction between taxis and hire cars. The Tribunal support retaining this distinction. However, the DoT may wish to consider allowing hire cars to collect passengers from taxi ranks at times of peak demand such as holiday periods and taxi changeover times.

The Tribunal also supports the establishment of hire car desks at the airport, hotels and other locations likely to generate hire car work. Passengers would be able to book a hire car at short notice from these desks, improving their access to hire car services. Combined with sufficient parking capacity, hire car desks would significantly improve the efficiency of operation of the hire car industry.

Recommendation

The Tribunal recommends maintaining the prohibition preventing hire cars from plying for hire through street hails and at ranks, but recommends that Department of Transport consider allowing hire cars to pick up passengers from taxi ranks at periods of peak demand and taxi changeover time. The Department of Transport should facilitate the development of hire car desks at the airport, hotels, and other significant locations.

Recommendations regarding maximum taxi fares

In deciding which hours they will work, taxi drivers consider a number of factors. A key determinant is the level of work available and, by implication, the fare revenue they can expect to earn at the regulated fare. At a set fare level, drivers must expect to be engaged for enough of the shift to justify remaining available for hire when the shift ends.

The number of taxis willing to work adjusts to fit the pattern of demand so that the proportion of taxis engaged never falls below 60 per cent. Below this level there is unlikely to be enough work to sustain more taxis while allowing most taxis to cover their costs. The level of engaged taxis rarely reaches 80 per cent. This is probably due to the search and travel time needed for vacant taxis to reach waiting passengers.

At a higher fare level, more taxis would be willing to remain working at night as this would increase their earnings from the same amount of work. The Tribunal considers that allowing a higher flag fall at night would increase the number of taxis available and improve service

levels. However, in the longer term this beneficial effect may be off-set if higher fares are capitalised into taxi licence values, raising lease payments and reducing drivers' earnings.

Recommendation

The Tribunal recommends that the Department of Transport increase the NSW flag fall by \$1 between the hours of 10pm and 5am to encourage an increase in the number of taxis available for hire at night.

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

Some overseas cities have introduced minimum charges or surcharges for travel to or from their major airports to help overcome the short trip refusal problem. The Tribunal believes that the supply of taxis to Sydney airport would be improved by a minimum fare of \$10.

Recommendation

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

Improving taxi services for persons with disabilities

An additional 400 wheelchair accessible taxi (WAT) licences will be issued by December 1999. The DoT has indicated that it intends to issue all future WAT licences to experienced drivers. To date, drivers have been reluctant to take up these licences as they are required to operate the vehicle for a minimum of 20 hours per day. This is not possible without taking on a bailee driver for some of the shifts. As with operators running a normal taxi, driver-operators are reluctant to take on the additional risk of a bailee driver for the limited additional revenue generated.

The take-up rate of these WAT licences may be improved if the mandatory hours of operation are reduced to the maximum possible with only one driver. The current mandatory hours of operation are unlikely to be effective, given the results of the Tribunal's analysis of factors affecting taxi availability. This analysis indicates that drivers remain available for hire only when they anticipate sufficient fares to justify remaining on the road.

The Tribunal estimates that operators running a WAT will, on average, make approximately \$4,500 less per annum than an operator running a standard taxi. The annual lease fee for WAT licences should be reduced from \$6,000 to \$1,000 to compensate for this difference. Further, some mechanism is required to encourage WAT drivers to favour passengers who require a WAT vehicle. The Tribunal believes an additional collection fee paid to drivers via the Taxi Transport Subsidy Scheme would significantly improve pick-up times for passengers who require a WAT vehicle.

Recommendation

The Tribunal recommends that the annual lease fee for a wheelchair accessible taxi licence be reduced to \$1,000, the minimum operating hours be halved to 10 hours per day, and the Taxi Transport Subsidy Scheme be adjusted to pay drivers of wheelchair accessible taxis an additional \$5 collection fee for each hiring using the voucher scheme.

The option of encouraging hire cars to provide transport services to persons requiring wheelchair accessibility also warrants investigation. These passengers are similar to traditional hire car customers as they pre-book and prefer to establish a long term relationship with a driver who understands their needs.

This option would necessitate some revisions to the Taxi Transport Subsidy Scheme to allow hire cars to access the voucher scheme. The voucher scheme would need to be amended to include a per kilometre subsidy rate as the current TTSS vouchers cover 50 per cent of the metered taxi fare up to a limit of \$50.

Recommendation

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

Public reporting of performance by taxi companies

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

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

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

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

While this reform will enhance competition between taxi companies and co-operatives, it may cause some changes to average pick-up times until the new system has bedded down. Taxi companies and co-operatives can control the magnitude of any change to average pick-up times by managing the number of bookings they off-load to other networks and the timing of these off-loads.

Recommendation

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

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

The Tribunal is interested in exploring whether regulation of driver and vehicle standards would be more effective if taxi companies and co-operatives were made directly responsible for these aspects of service provision. Initially, this could be achieved by including performance in respect of these aspects in the information about each taxi company and co-operatives which the DoT reported publicly. However, if this mechanism is not effective, the DoT should consider making taxi companies and co-operatives directly responsible for these aspects of service quality.

One area in which taxi companies and co-operatives may be able to improve service delivery is the provision of WAT services. Victoria has introduced a system whereby each WAT vehicle must complete a certain quota of WAT specific hirings each shift. Compliance with this quota can be verified relatively easily by the taxi company or co-operative through its GPS network.

The Tribunal seeks comments on whether taxi companies and co-operatives should be made directly responsible for driver performance and vehicle standards.

Taxi companies in Western Australia do not display job destinations. This is similar to the situation arising from street hails, ie the driver may refuse a passenger only if that passenger is travelling to a destination outside the driver's transport district.

Although this is also a network requirement in NSW, it is not enforced by the DoT. Industry representatives believe there is a safety issue if destinations are not made available to drivers. Others suggest that this arrangement encourages drivers to concentrate on the rank and hail markets and avoid phone bookings except when work is very short.

The Tribunal seeks comments on whether customer service would be improved if taxi companies and co-operatives were prohibited from broadcasting destinations for all bookings.

Other recommendations regarding the taxi industry

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

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

Recommendation

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

Each year, about 60 per cent of the 2000 driver trainees in Sydney graduate and qualify as drivers. Failure to pass the English test appears to be the only reason any applicants fail. However, approximately 75 per cent of new drivers do not renew their licence after the first year. The high turnover rate for drivers is a problem for the industry.

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

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

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

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

Recommendation

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

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

Recommendation

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

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

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

Recommendation

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

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

Recommendation

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

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

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

Recommendation

The Tribunal recommends that the Department of Transport consider instituting a system to penalise Authorised Taxi Inspection Stations financially if they fail to inspect taxi vehicles properly.

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

Recommendation

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

The recent issue of 'peak availability' licences which restricts the hours of operation is designed to increase the level of service available to those customers seeking taxi services during peak time.

The Tribunal's analysis suggests that increasing the supply of taxis at peak periods can be achieved only by increasing the number of taxi licences, improving driver safety, and adjusting fares to make driving at these times more attractive. The Tribunal believes that licence conditions are not an effective tool to regulate the hours a taxi will operate.

Possible reforms to increase the supply of taxis at changeover times include issuing more taxi licences, deregulating entry to the hire car industry, improving driver safety and increasing the flag fall taxi fare at night.

Recommendation

The Tribunal recommends that time restrictions on peak availability licences be removed. Service improvements at peak times should be addressed by increasing the number of taxi licences, improving driver safety, and increasing fares at night.

Other recommendations regarding the hire car industry

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

Recommendation

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

The current short term unrestricted hire car lease fee is set by the DoT at \$16,000 pa (\$1,330 per month). The secondary market for the permanent version of such licences has recorded sales in 1999 averaging \$150,000. Plate owners lease unrestricted licences for approximately \$1,000 per month. The short term licence fee charge by the DoT is not achieving its objective of satisfying temporary, unsatisfied demand. Instead, the fee appears to underwrite unrestricted permanent plate values.

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

Recommendation

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

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

Recommendation

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

1 INTRODUCTION

The Premier has asked the Independent Pricing and Regulatory Tribunal (the Tribunal) to review regulation of the taxis and hire car industries under the *Passenger Transport Act 1990* (NSW). The review was commissioned by the Premier s12A of the *Independent Pricing and Regulatory Tribunal Act 1992*. The review is part of the NSW Government's commitment to review, prior to 2000, all legislation restricting competition.³

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

- the *Passenger Transport Act 1990* (the Act)
- Department of Transport (DoT) policies
- industry practices.

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

The Tribunal members who considered this interim report are:

Dr Thomas Parry, Chairman

Mr James Cox, Full-time Permanent Member

Mr John Ward, Temporary Member

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

1.1 Investigative process

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

In October 1998 the Tribunal released an issues paper which explained the process of the review, provided background to the industry, highlighted the issues to be covered in the review, and invited submissions from interested persons. Public hearings were held on 25 and 26 November 1998 at the Tribunal's offices, Level 2, 44 Market Street, Sydney.

³ In April 1995 all Australian Governments signed a package of three agreements committing them to implement a microeconomic reform agenda and establish common competition laws. The reforms are generally referred to as the National Competition Policy. The *Competition Principles Agreement* established the microeconomic reform agenda, the *Conduct Code Agreement* established a co-operative legal scheme which extends Part IV (the competition provisions) of the *Commonwealth Trade Practices Act 1974* to State, Territory and local government businesses, and the *Agreement to Implement the National Competition Policy and Related Reforms* established three tranches of payments by the Commonwealth to the States and Territories conditional upon implementation of the National Competition Policy.

Table 1.1 Review process

Step	Time frame
Release of issues paper	October 1998
Submissions due	13 November 1998
Public hearings	25 & 26 November 1998
Interim report	30 July 1999
Submissions due on interim report	17 September 1999
Final report	October 1999

A list of other submissions received is in Appendix B. Copies of the issues paper, all submissions, a transcript of the hearing, and this interim report can be viewed on the Tribunal's website www.ipart.nsw.gov.au and are available for inspection at the Tribunal's office.

The Tribunal seeks the views of passengers, industry participants and other stakeholders on these recommendations. The Tribunal hopes that interested persons will use this opportunity to help the Tribunal to ensure its recommendations are practical and likely to be effective.

Submissions commenting on this interim report should be sent to:

The Chairman
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230
Tel (02) 9290 8400, Fax (02) 9290 2061

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

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

All submissions commenting on this interim report should reach the Tribunal by 17 September 1999.

To facilitate publication of submission on the Tribunal's website, if possible a copy of the submission should be provided as a computer file, either on disk or via email.

1.2 Choice of regulatory model

The Tribunal has identified three different regulatory models which may be used to regulate taxis and hire car industries.

The first model is that currently used in NSW, in most other Australian cities and in many North American cities. It is based on restricting the number of taxis and directly regulating the quality of each level of the industry. It typically includes some restriction on the number of hire car licences, but this is not essential. Government limits fares, and sets and monitors

standards for customer service, drivers, vehicles, taxi business operators, taxi companies and co-operatives, and taxi booking networks.

This model has some problems. Limiting the number of licences (or “plates”) gives them a value upon which the licence owner may wish a return. Setting the correct fares and standards involves difficult judgements. Enforcing standards takes significant government resources, although some tasks can be delegated to industry representative groups. If industry does not meet these standards, the community holds government accountable. This causes government to become increasingly involved in managing every facet of the industry.

This Australian model results in a heavily regulated industry and a uniform standard of service. A significant part of taxi fares go towards the costs of regulation (primarily vehicle, driver safety and network performance standards) and paying for the value of taxi licences. If fares are set quite low, as they are in Sydney, taxis must find a large number of hirings per shift to make enough revenue to pay for the taxi. The number of taxis thus tends to be set to meet the average demand for taxi services. At peak times there may be shortages of taxis.

The other two possible regulatory models are those used to regulate taxis and hire cars in London and in New Zealand. In both, there is no limit on the number of taxi licences and the number of licences tends to adjust to meet peak passenger demand. Taxis spend more of their shift waiting for passengers and a larger proportion of taxi fares go towards paying for this vacant capacity.

The London model is based on strict regulation of the quality of drivers and vehicles to create a high quality, high cost taxi industry. Few other aspects of the industry are subject to significant regulation. The major items being recovered in taxi fares are the costs of driver training, vehicle quality and taxi vacancy time. A deregulated, low cost hire car (or ‘minicab’) industry is an essential counter balance to the high cost London taxi industry.

The London model results in a two-tier system. The taxi industry provides a high cost, uniform standard of service to business and tourism passengers, travelling short distances in the central London area. Government regulates and enforces passenger safety, driver competency and vehicle quality as part its broader road policing activities. It is on these more limited grounds only, that the government holds itself out as responsible for the industry’s performance.

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

The New Zealand model is based on regulation of the quality of service provided by taxi companies. Minimal direct regulation is imposed on drivers or taxi business operators. All taxis are required to belong to an authorised taxi company or co-operative which is then held accountable for all aspects of service provision.

Essential features of the New Zealand model are the removal of restrictions on the number of taxi licences, and allowing taxi companies to set their own fares, vehicle standards and average pick up times. These freedoms allow taxi companies to compete with each other on price, quality and waiting time. Government does not manage these aspects of service quality, relying on passengers to favour better performing taxi companies. Active competition between a large number of taxi companies and a strong passenger preference for telephone booking over street hails, also appear essential to the success of this model.

The New Zealand model results in a highly available taxi service which offers different combinations of price, vehicle quality and waiting time. Some taxi companies provide a higher-cost, higher-quality services with short waiting times. Others provide a more budget service, utilising older vehicles, with perhaps longer waiting times in some areas. The major cost being recovered in taxi fares is taxi vacancy time. There are more than three times as many taxis per 1000 population in New Zealand compared to Australia. Passenger waiting time is correspondingly low.

The Premier's terms of reference require the Tribunal to review current regulation of taxis and hire cars under the Act. In so doing, the Tribunal must examine how effectively the Act implements the existing Australian regulatory model. The Tribunal must also consider the costs and benefits of adopting a different regulatory model. To implement either of the alternative models would require fundamental changes to the regulation of the taxis and hire cars, the structure of these industries, and the Act.

The adoption of either of the other models has the potential to radically improve levels of service to passengers. Passengers would have to change their expectations of the taxi industry. Both models require significantly more effort by passengers to choose the combinations of price, quality and waiting time that suits them rather than accepting the 'next cab off the rank'. The regulatory role performed by the DoT would also significantly change, particularly if the London model was adopted.

1.3 Competition policy reviews of legislation

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

Where governments choose to restrict competition and regulate markets, they do so because of concerns about safety, equity, certainty, quality or other objectives. There may be political reasons for restrictions or it may be that government departments just do not wish to relinquish control. Restrictions on competition affect the pattern of economic development and use of resources. This may impose unnecessary costs on the community.

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

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

All Australian Governments have agreed to review and reform their legislation in accordance with the general principle that legislation should not restrict competition unless it can be demonstrated that the benefits of the restriction outweigh the costs to the community as a whole,⁴ and the objectives of the legislation can be achieved only by restricting competition.⁵

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

The *Competition Principles Agreement* requires that the review:

- 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.

1.4 Passenger Transport Act 1990

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

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

⁴ Clause 1 (3) of the *Competition Principles Agreement* requires that in comparing the benefits and costs of a restriction, the matters considered include, where relevant: government legislation and policies relating to ecologically sustainable development; social welfare and equity considerations, including community service obligations; government legislation and policies relating to matters such as occupational health and safety, industrial relations and access and equity; economic and regional development, including employment and investment; the interests of consumers generally or of a class of consumers; the competitiveness of Australian businesses; and the efficient allocation of resources.

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

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

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

2 KEY ISSUES RAISED IN SUBMISSIONS

The Tribunal received 76 submissions in response to the issues paper. Submissions were made by all parts of the industry and a number of interest groups and individuals. Table 2.1 lists the groups who made submissions.

Table 2.1 Summary of submissions received

Group	Number of submissions
Taxi drivers (bailees and owner-drivers)	20
Taxi networks/companies/co-operatives	10
Taxis industry representative groups	7
Passenger and special interest groups	12
Government agencies	4
Other taxi related submissions	6
Hire car and/or wedding car operators	13
Hire car industry representative groups	4
Total	76

A full list of submissions is contained in Appendix B.

2.1 Taxi drivers

The issues paper⁶ summarises key service problems in the taxi industry as:

- infrastructure problems, such as the traffic flows at Sydney Airport and congestion on Sydney roads during peak periods
- excessive waiting times for shorter, less profitable trips especially in peak demand periods
- lack of available taxis during shift changeover times around 3 am and 3 pm.

Some submissions from taxi drivers argue that the issues paper underestimates the level of complaints about drivers, particularly those caused by inexperienced drivers. For example, one taxi driver argues:

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

After Taxi Training it takes some two years for a taxi driver to become experienced, to reasonably thoroughly get to know Sydney in a way that enables an informed efficient service to be usually provided to most customers under most circumstances. Even then

⁶ IPART, *Review of the Taxi Cab and Hire Car Industries: Issues Paper*, October 1998, p 7.

an experienced driver will often have to rely on his/her wits to deal effectively with many unexpected problems. It is only when a pool of experienced, and therefore stable, drivers is established that the service to customers will improve and complaints reduce significantly.⁷

Taxi drivers' suggestions for how to encourage experienced drivers to stay in the industry include improving driver safety, increasing drivers' earnings, encouraging owner-drivers, and educating passengers to avoid unreasonable behaviour in taxis.⁸ In general, submissions by drivers support continued regulation, particularly of driver and passenger safety. They support improvements in the training and ongoing testing of drivers and network staff.

2.2 Taxi business operators

A key issue raised by taxi operators is the escalating costs of running a taxi business.⁹ The largest increases have been in the cost of insurance (third party and vehicle) and additional costs required by regulation (driver safety screens and Global Positioning System [GPS] vehicle tracking). Many also cite the difficulty in attracting reliable bailee drivers with sufficient experience to limit damage to their vehicle.

A submission¹⁰ from a Sydney owner-driver highlights problems associated with operating peak availability licence plates¹¹ which do not allow the taxi to be on the road in the morning from Monday to Saturday. The restriction means the operator cannot generate revenue during morning peak periods, yet he is usually charged the regular communication network fee and is faced with full comprehensive and third party personal injury insurance. The submission suggests that removing the restriction will help overcome the shortage of taxis at Sydney Airport during the busy morning peak period. There are currently 272 peak availability taxis now in operation.

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

⁷ Submission by anonymous taxi driver, Anonymous S2968, p 5.

⁸ Submission by David Lipski.

⁹ Supplementary submission by Premier Cabs, 15 January 1999.

¹⁰ Submission by Andrew Koh.

¹¹ T9200 and T9500 restricted licences were issued between 1985 and 1991 and were originally allowed to operate only from 2pm to 6am Monday to Saturday and all day Sunday. In 1998, the licence conditions were altered to align them with the new peak availability taxis which may operate only between the hours of midday and 5am the following morning.

2.3 Taxi companies, co-operatives and networks

Submissions received from Sydney taxi companies and co-operatives support the existing regulations.

Several submissions were received from taxi co-operatives in rural and regional areas. Key issues identified are:

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

2.4 Taxi industry representative groups

Stating that the industry is performing well, the NSW Taxi Industry Association supports continued regulation of the number of taxi licences, and the standard of vehicles, drivers and operators. Problems identified in the industry are attributed to shortcomings in the performance of the DoT in its role as regulator of the industry.¹²

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

- the proportion of owner-operators is higher
- the average number of shifts per week is higher
- most bailee drivers take a percentage of shift revenue with the owner meeting all operating costs from the remaining percentage of the shift takings
- drivers and passengers are more likely to have repeat business and know each other outside work
- a far greater proportion of work is telephone bookings or from ranks.¹³

2.5 The NSW Department of Transport

The DoT generally supports continued regulation as a means of enforcing service and quality standards in the industry. The DoT recognises that “the licence system has developed inconsistently and has reflected the government of the day’s policy objectives”.¹⁴ This has resulted in two categories of licence, perpetual and short term, with 15 different types of licence condition.

¹² See also the submission by Premier Cabs, p 15.

¹³ Submission by North Coast Taxi Council, number 2, p 3.

¹⁴ Submission by NSW Department of Transport, p 1.

The DoT states that to “debate only the number of licences is to avoid options for improving industry performance”¹⁵ and that the “relevant questions [in respect of this review] relate to achieving the optimal level, structure, form and content of regulation to achieve better quality services for the public”.¹⁶

2.6 Passengers and special interest groups

The issues paper¹⁷ mentions concerns about the quality of taxi services for persons with disabilities. Problems include:

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

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

The NSW Disability Discrimination Legal Centre raises the question of who is accountable for the provision of services to people with disabilities. It suggests that the current structure of the industry makes it unclear “what responsibilities vest with the drivers and each of the other aspects of the industry”.¹⁸

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

Tourism NSW notes that “the lack of publicly available information about the performance of the taxi and hire car industries makes it difficult to formulate recommendations”.¹⁹ It suggests that a desirable system of regulation would provide the “appropriate economic incentives for owners and drivers to offer [a] higher level of service, including adequate attention to the needs of customers who want to make short trips”.²⁰ The tourist sector considers that the retention of regulation is necessary as tourists lack familiarity with surroundings or knowledge of fares and other transport options. They also require information about sights, events and accommodation.

¹⁵ Submission by NSW Department of Transport, p 2.

¹⁶ Submission by NSW Department of Transport, p 2.

¹⁷ IPART, *op cit.*, p 8, citing concerns raised in Disability Council of NSW, *Taxis and People with a Disability: issues for government and industry*, 1998.

¹⁸ Submission by NSW Disability Discrimination Legal Centre, p 3.

¹⁹ Submission by Tourism NSW, p 1.

²⁰ Submission by Tourism NSW, refer Executive Summary.

2.7 The hire car industry

Submissions in relation to the Sydney hire car industry are clearly divided between two opposing groups. Submissions from existing perpetual licence holders²¹ support current regulations, arguing that restricted entry has created a stable industry free of complaints.

By contrast, submissions from those wishing to enter the industry²² in Sydney argue that restricted entry hampers the development of the hire car industry, unnecessarily increasing operating costs for lessee operators, and reducing employment and business opportunities.

Submissions from hire car operators in rural and regional areas seek the easing of regulations, in particular, removing vehicle age restrictions²³ and allowing hire cars to operate from certain ranks to compete with taxis.²⁴

²¹ See for example, submissions by First National Limousines and the Motor Traders Association of NSW.

²² See for example, submissions by Australia in Style, CD Limousines, Chauffeured Limousine Association of NSW, International Hire Cars (Sydney) and Wild Weddings.

²³ See submissions by Shoalhaven Limousine Services and Sapphire Limousine Services which argue that current vehicle age restrictions prevent operators from using high quality, but older vehicles which are otherwise acceptable to passengers.

²⁴ Submission by Ballina Lennox Head Hire Car Service which argues that hire cars should be able to pick up at ranks at Airports, resorts, clubs, casinos and hotels.

3 INDUSTRY STRUCTURES AND SUMMARY OF REGULATION

3.1 Government agencies

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

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

The RTA is responsible for:

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

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

3.2 The NSW taxis industry

3.2.1 Industry structure

The taxis industry has five main industry participants:

1. Licence owners: approximately half are owner-drivers and half lease their plates to operators of taxi businesses. Whilst conditions attach to all licences, licence holders are subject to few obligations.
2. Taxi companies and co-operatives: groups of taxi operators who sell bundled services (such as insurance, repairs and car detailing) to other operators. They may also manage licence plates, operate taxi businesses and provide network services.

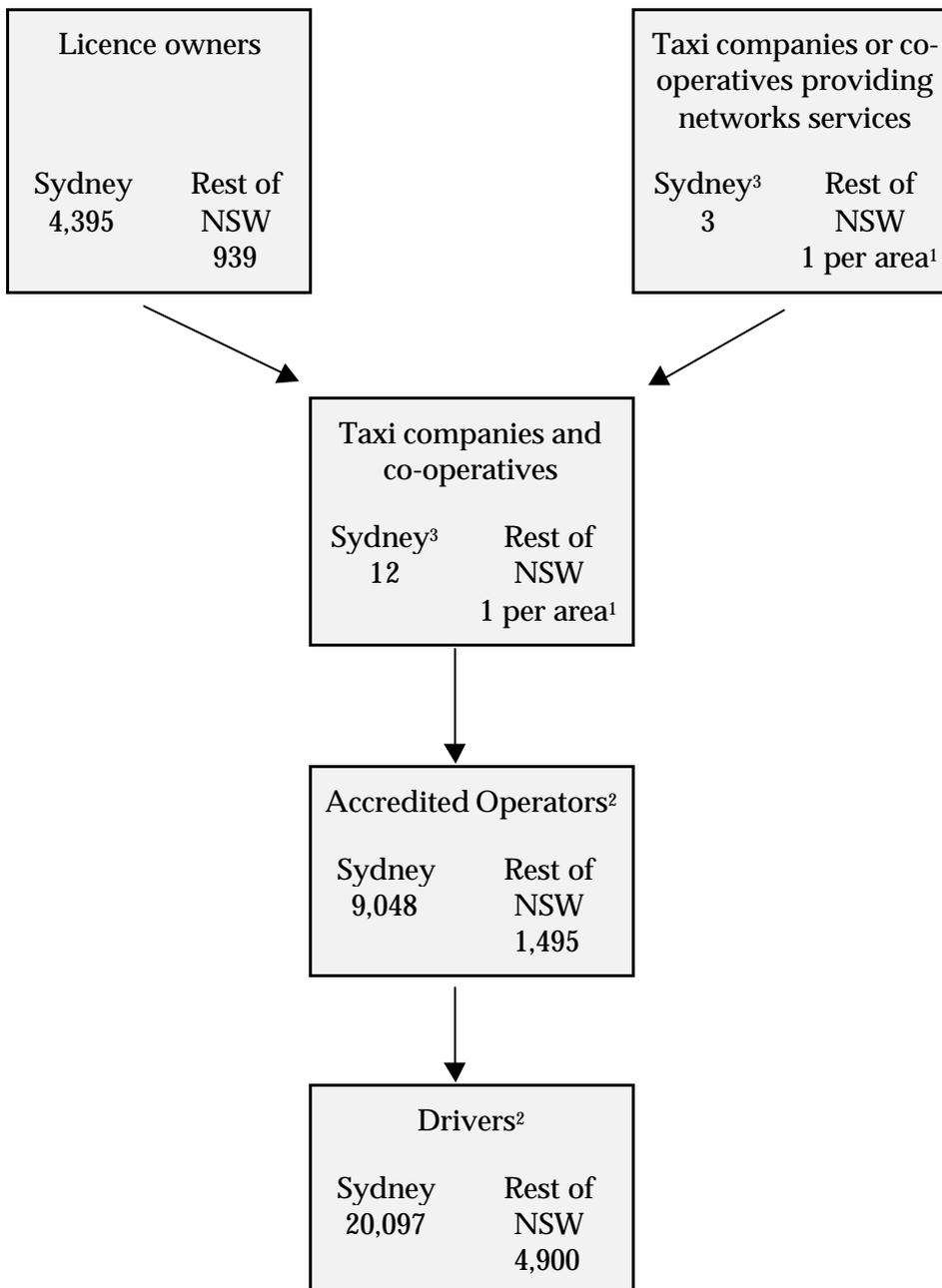
All taxi companies and co-operatives must be authorised by the DoT to provide network services and hence must meet taxi network performance standards. Some are also accredited by the DoT to operate taxi businesses.

3. Taxi networks: taxi companies or co-operatives provide telephone booking, dispatch and safety services (GPS and M13 emergency silent alarms) directly to their members or by contracting another taxi company to provide these services.

Networks are subject to performance standards (principally telephone answering time and pick-up times for taxi bookings) imposed as conditions of their authorisation by the DoT. The taxi companies and co-operatives monitor their own performance against the standards and report to the DoT. There are no penalties for failure to meet these standards other than the threat of removal of authorisation.

4. Operators: managers of taxi businesses who co-ordinate licences, cars, drivers and purchase of network services. Operators are the primary focus of industry regulation, imposed by the DoT as conditions of operators' authorisation.
5. Drivers: they drive their own vehicles or contract their services to operators. Drivers are licensed by the DoT and subject to a series of rules governing their behaviour in taxis or at ranks.

Figure 3.1 NSW taxis industry structure



Source : NSW Department of Transport.

Notes:

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

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

3.2.2 History of regulation

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

Table 3.1 History of regulation of the NSW taxis industry

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

Source: NSW Dept of Transport.

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

The last major review of the taxi and hire car industry in 1984²⁵ recommended dropping the owner-driver policy in favour of directly regulating driver and vehicle quality. The report found that owner-drivers operated their taxis for shorter shifts, reducing taxi availability. It also found that the policy was undermined over time as owner-drivers died or left the industry and were replaced by persons who wished to lease the licence.

The 1984 report also recommended relaxing area restrictions in favour of requiring all taxis to be members of a radio network which must provide taxi booking and dispatch services 24 hours a day, seven days a week to all areas. However, based on the experience of

²⁵ Dr D. Linklater, *Review of Policies and Practices in Regulating the Taxi and Hire Car Industries in New South Wales*, 1984.

deregulation in US cities, the report recommends retention of fare regulation and a continued limit on the number of taxi licences.

3.2.3 Restrictions on competition

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

Table 3.2 Elements of taxis regulation

Regulation		Features
Market entry controls	Quantity controls	Number of taxi licence plates controlled. Metropolitan and regional operating areas defined.
	Quality controls	Licence owners must be of good repute and cannot be bankrupt. Operators, whether licence owners or lessees, must be accredited. Accreditation is determined by the financial standing of the applicant and the ability to meet safety and vehicle standards. Persons must also be of good repute. Driver authorisation is granted to applicants with no criminal record and acceptable driving history, English language skills and completion of a taxi driving course including a written examination. Persons must be of good repute. Training schools must be accredited by the DoT.
Price controls	Maximum fares Additional tariffs	Set by the DoT.
	Maximum pay-ins or share of takings per shift paid by drivers to rent a taxi.	Set by Industrial Commission.
Performance standards	Licence conditions	Some licences have minimum operating hours and requirements to provide wheelchair accessible 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 only.
	Customer service	Regulation of drivers' behaviour in taxis and at ranks. Driver uniforms. Passengers' rights and obligations displayed in cabin. Complaint handed by taxi companies and co-operatives.
	Driver safety	Driver protection screens or trial of surveillance cameras. M13 silent alarms. GPS location systems in metropolitan area.
Compliance	Compliance systems Auditing	Authorised Taxi Inspection Stations. DoT officers carry out this function.

3.3 The NSW private hire car industry

Private hire cars are luxury chauffeur driven vehicles which provide a passenger service through private arrangements. They differ from taxis in that they are unable to obtain hirings from the street or to wait at taxi ranks. Private hire cars do not have to accept a booking. Taxis must accept all hirings except in certain prescribed circumstances.²⁶

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

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

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

3.3.1 History of regulation

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

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

1930 – 1965	Legislation provides for hire car licences and sets operating conditions. Hire cars permitted to stand at ranks at train stations. 430 licences issued without charge. Mourning coaches allowed to carry passengers without holding a hire car licence.
1965 to 1976	200 licences converted from hire cars to taxis, reducing the number of hire car licences to 230. Hire cars not allowed to stand at taxi ranks.
1970 – 1980	Existing hire cars unable to meet demand for wedding cars. Additional wedding cars permitted to operate provided they 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 licences 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 auctioned.

²⁶ Circumstances in which drivers may legally refuse a hiring generally relate to drunk or disorderly passengers or threats to safety, Passenger Transport Regulation No.399 of 1995, clauses 41.44 and 45.

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

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

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

3.3.2 Restrictions on competition

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

Table 3.4 Elements of hire car regulation

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

4 SHOULD TAXIS AND HIRE CARS BE REGULATED?

Taxis are a common carrier form of public transport required to provide a universally available service across their area of operation. They are obliged, subject to safety, to accept all hirings and can obtain hirings from telephone bookings, ranks or street hails. By contrast, hire cars belong to a demand responsive service industry which is not obliged to accept hirings and is limited to obtaining hirings from telephone bookings.²⁷

Taxi industries worldwide have a long history of regulation. This is surprising, given that typically there are a large number of taxis and potential passengers in the market. Industries in which there are a large number of buyers and sellers usually function better with limited or no regulation.

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

There is ongoing theoretical debate over the regulation of taxis. Disagreement centres on whether regulation is required and the form it should take. Some practical experience can also be gained from cities in the USA,²⁸ UK²⁹ and New Zealand³⁰ which have relaxed controls over their taxi industries. These studies indicate that opening entry to the taxi industry dramatically increases the number of taxis and the level of competition for passengers.

However, the impact of deregulation on price and quality has been very mixed. Almost all US cities which deregulated experienced increased fares and deterioration in customer service and vehicle quality. UK cities had more mixed results, with some cities improving while others deteriorated.

New Zealand has been more successful, with fares falling in real terms, taxi availability increasing, waiting times falling, and service quality being maintained. These studies suggest that relaxing entry controls can be effective in improving taxi industries, but only where this does not undermine regulation of quality standards.

The remainder of this chapter reviews features of the markets for taxis and hire cars services which limit the effectiveness of competition, and the regulatory tools available to address these limitations.

²⁷ Some jurisdictions make an exception to this rule by allowing hire cars to stand at ranks and accept hirings, usually at taxi tariff rates.

²⁸ See R F Teal and M Berglund, *The Impacts of Taxicab Deregulation in the USA*, Journal of Transport Economics and Policy, January 1987 and Price Waterhouse, *Analysis of Taxicab Deregulation and Re-regulation*, study prepared for the International Taxicab Foundation, 1993.

²⁹ J Toner, "English Experience of Deregulation of the Taxi Industry", *Transport Reviews*, 1995 Vol. 16, No. 1, pp 79-94.

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

4.1 Difficulties with competitive shopping

The practice of passengers taking the “first cab off the rank”³¹ can limit passengers' ability to choose a particular taxi from those queuing along a rank. The situation in US cities appears to confirm this problem. New entrants were small, independent operators predominantly serving ranks. With deregulation, each US city experienced increased fares and lower quality of service. There was also aggressive solicitation of passengers and conflict between drivers.³² Drivers charged very high fares when few other vehicles were available (price gouging). On the other hand, taxis were more readily available.

By contrast, New Zealand appears to have had more success with competition at ranks. Prices have fallen in real terms, while initial conflict between drivers has been reduced with the reintroduction of some regulation of driver behaviour. However, the cultural change required to re-educate drivers and passengers apparently took between two and three years to achieve.³³

Even when there is no ‘first cab off the rank’ rule, shopping along a rank can be difficult, especially if there is limited time permitted to load a passenger. For example, Sydney Airports Corporation operates taxi ranks at Sydney Airport with the aim of loading one passenger per minute.³⁴ Busy ranks such as these appear unsuited to active competition.

In May 1996, seven years after the introduction of open entry to the New Zealand taxi industry, the Wellington Airport Authority limited the number of taxis which could service the airport. Airport permits were issued to only one thousand taxis. Prior to this, long queues at airport taxi ranks led drivers to refuse short fares. Fights between drivers arose due to traffic congestion and competition for passengers.³⁵

Although other ranks may be less hectic, the time taken by each customer to inspect and negotiate with taxis is a cost in waiting time to other passengers in the queue and to the waiting taxis. This problem is particularly significant when the decision to take a taxi rather than some other mode of transport is based on time, urgency and convenience.

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

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

³¹ In fact passengers are permitted to take any taxi on the rank and the taxi cannot refuse the hiring.

³² Price Waterhouse, op cit, p 15.

³³ Personal communication with the New Zealand Land Transport Safety Authority.

³⁴ The rank at the international terminal is operated by Sydney Airports Corporation. The two ranks at the domestic terminal are operated by Qantas and Ansett. Sydney Airports Corporation has role in managing traffic and passenger flows at ranks in conjunction with officers from the NSW Taxi Council. Personal communication with Sydney Airports Corporation.

³⁵ P S Morrison, “Restructuring effects of deregulation: the case of the New Zealand taxi industry”, *Environment and Planning*, Vol. 29, pp 919 and 924.

The extent of this difficulty can be reduced by the use of taxi brandnames, but these may take some time to develop. Where taxi company's can establish a strong reputation for quality taxi services, they may be able to attract passengers to their brandname. New Zealand has required that all new entrants belong to an authorised taxi company which is responsible for regulating service quality. New Zealand taxi companies actively market their services and must advertise their prices on the outside of their vehicle.

However, very little taxi work is sourced from cruising the streets of New Zealand. The New Zealand Taxi Federation and the New Zealand Land Transport Safety Authority both estimate the street hail market as less than 10 per cent of all hirings. Hence, there remains some doubt as to whether difficulties with active competition in the cruising market would eventuate if entry to the Sydney taxi market was open.

New Zealand has also succeeded in partially deregulating fares. Taxi companies may set their own fares, but one fare scale must be used by all vehicles in the taxi company and this may be adjusted only twice a year. All fare scales must be notified to the industry regulator and posted inside and outside each vehicle.

Deregulation has promoted a dramatic increase in the diversity of prices, quality and nature of taxi services offered by the various taxi companies in New Zealand. Some companies provide cheaper, budget services using older vehicles. Others provide "premium" taxi services with more expensive fares and higher quality vehicles. New companies have targeted new markets such as replacing low patronage bus services, developing tourist travel services, or serving passengers with particular language needs.

4.2 Imperfect information

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

Similarly, brandnames can offset this difficulty, but take time to develop. However, this problem is more pronounced for visitors and other irregular passengers. Regular passengers can use past experience to determine the taxi company or co-operative they call when making a telephone booking. Publicly available information benchmarking the strengths of each taxi company would greatly enhance the usefulness of brandnames.

For all customers, limited choices at ranks and when hailing a taxi put them at a disadvantage in judging quality and value for money.

4.3 Externalities

An externality exists where a transaction has a positive or negative effect on a person who is not party to the transaction. Pollution is the most commonly acknowledged example of an externality caused by taxis, hire cars and other traffic. Some cities in the UK have experienced problems with increased traffic congestion and requirements for rank space following deregulation of their taxi industries.³⁶ However, traffic congestion and scarcity of kerb space in cities are problems not limited to the taxi industry.

A more significant issue is the impact of the taxi industry on a city's tourist industry and business community. Taxis are one of the first and last experiences that tourists have in a city. The impression they have of the city will be profoundly influenced by the price, quality and availability of that service. That impression will form a key part of the city's reputation as a tourist destination and business location.

Consequently, there is benefit from regulating service quality if the level of service quality that would otherwise prevail is insufficient to meet tourists' expectations.

4.4 Economies of scale and scope

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

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

Open entry to the New Zealand taxi industry has seen a large increase in the number of authorised taxi companies and the development of active competition between these companies. Many of the new taxi companies operate smaller fleets than those operated by incumbent taxi companies prior to deregulation. Some smaller companies have begun to combine to capture economies of scale.³⁷ Although minimum pick up times are not regulated in New Zealand, industry average pick up times for telephone bookings appear to be shorter than under the regulated standards in Sydney.³⁸

Current NSW taxi network authorisation standards require taxi companies and co-operatives to pick up 85 per cent of passengers within 15 minutes of receiving their booking. When a taxi company or co-operative anticipates being unable to meet this target, current practice is to pass the booking on to another taxi company or co-operative.

³⁶ J Toner, "English Experience of Deregulation of the Taxi Industry", *Transport Reviews*, Vol. 16, No. 1, pp 79-94.

³⁷ P S Morrison, "Restructuring effects of deregulation: the case of the New Zealand taxi industry", *Environment and Planning*, Vol. 29, pp 918-919.

³⁸ Personal communication with the New Zealand Land Transport Safety Authority.

Discussions with the taxi companies and co-operatives indicate that the flow of bookings is predominantly from the smaller Premier Cabs (763 taxis) and Legion (530 taxis) networks to the larger Taxis Combined Services network (3,153 taxis).

This suggests that the most efficient size of a taxi network fleet in Sydney may be very large in proportion to the total taxi fleet of 4,446 taxis. It also indicates that the DoT's current network standards may be reinforcing pressure for taxi companies and co-operatives to combine, acting as a barrier to the entry of new taxi companies and co-operatives.

There are considerable economies of scope in servicing demand for taxis sourced from telephone bookings, ranks and street hails. Vacant taxis waiting at ranks or cruising in search of work can monitor the radio for work. Engaged taxis can avoid dead heading (being unable to obtain a return journey from a destination) by seeking a radio booking from the destination of their current passenger.

4.5 Public goods and cross subsidies

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

Taxis are required to charge the same or similar fares for the same distance travelled, notwithstanding that the costs of similar distance trips may vary considerably. Where, for example, a taxi accepts a hire from an outer suburb to the airport, there is a very strong chance of collecting a subsequent fare within a short time. However, the reverse trip from the airport to that outer suburb has high chance of returning empty. The cost of the trip to the airport is effectively half of that in the other direction. The same effect makes trips at peak times less costly, since dead heading is reduced.

Charging an average distance-based price for all trips thus creates cross subsidies between journeys. High traffic density areas cross subsidise the provision of services to low density areas such as outer suburbs, particularly since maximum waiting times for telephone bookings are regulated.

4.6 Benefits of continuing regulation

The Tribunal considers that there could be significant benefit in regulating minimum service standards and fares for taxis. In a deregulated market, conditions in the rank and hail markets make it difficult for passengers to favour higher quality or cheaper taxis. This allows poor quality or expensive taxis to remain in business. Maintaining minimum standards and some control over fares is of direct benefit to passengers and indirectly benefits Sydney's tourist industry and business community.

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

The New Zealand experience suggests that the requirement to belong to an authorised taxi company can avoid deteriorations in service quality if competition can be fostered between taxi companies and co-operatives.

Regulation of the number of taxi licences serves no purpose in itself, and can be justified only if it is necessary for the enforcement of service standards. This is particularly true for busy ranks such as airports where peak passenger flows require quick loading times and pressures on drivers from rank congestion and driver waiting times can be longest. However, it does not justify generalised restrictions on the number of licences.

The New Zealand experience suggests that fares can be set in ways which limit exorbitant pricing at peak periods, while still allowing taxi businesses to set their own fares and differentiate their businesses (say into budget and premium taxi services).

However, allowing taxi companies to set their own fares is likely to lead to overcharging unless new taxi companies are free to enter the industry and economies of scope in network services do not act as barriers to entry. The New Zealand experience suggests that enforcement of service quality and price is easier where a greater proportion of work is obtained via telephone bookings. Passengers selecting a taxi company or co-operative by telephone can compare price and quality and benefit from previous experience.

The Tribunal considers that some aspects of the market for taxis services provide justification for regulating fares, driver quality, vehicle quality and service standards. However, these difficulties are unlikely to justify controlling the total number of licences except to deal with exceptional circumstances such as airport ranks.

Difficulties with competition in the market for taxis services appear to be most pronounced for hirings commencing from taxi ranks or street hails.³⁹ The Tribunal's issues paper cites survey information which indicates that 30 per cent of hirings in Sydney are by hailing a taxi on the street and a further 25 to 30 per cent commence from taxi ranks.⁴⁰

Justification for regulating the hire car industry is less clear, as all hire car work is telephone based. Reasons for regulating taxis are also less clear in rural and regional areas, where competition appears to operate more effectively.

Chapters 5 to 10 of this report review specific aspects of the taxis and hire car industries in NSW and examine how they are affected by current regulations. The costs and benefits of each element of regulation are identified. Where current regulations are ineffective or inappropriate, recommendations for change are made.

³⁹ Some of the arguments in this section are sourced from Paul Dempsey, *Taxi Industry Regulation, Deregulation and Reregulation: the paradox of market failure*, *Transportation Law Journal*, vol 24, number 1, 1996. See also R F Teal and M Berglund, *op cit.* and Price Waterhouse, *op cit.*

⁴⁰ IPART, *Review of Taxi Cab and Hire Car Industries: issues paper*, October 1998, p 7.

5 CUSTOMER SERVICE

5.1 Summary of regulations

The principal regulations designed to enhance customer service are:

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

5.2 Overall service quality

In March 1998, the DoT commissioned a report on taxi usage and the level of satisfaction of taxi users with taxi services in Sydney. The report⁴¹ includes a telephone survey of Sydney residents who had used taxi services over the previous 12 months and an airport intercept survey of visitors at both the domestic and international terminals.

The survey results confirm that the reasons people use taxi services vary greatly and range from work travel to social/recreational travel. Table 5.1 lists the reasons for the most recent taxi trip taken by the respondents to the survey.

Table 5.1 Purposes of taxi journeys – most recent trip

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

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

⁴¹ NSW Dept of Transport – Transport Data Centre, *Sydney Taxi Customer Survey*, Report No 98/4, April 1998.

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

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

Table 5.2 How taxi was obtained – most recent trip

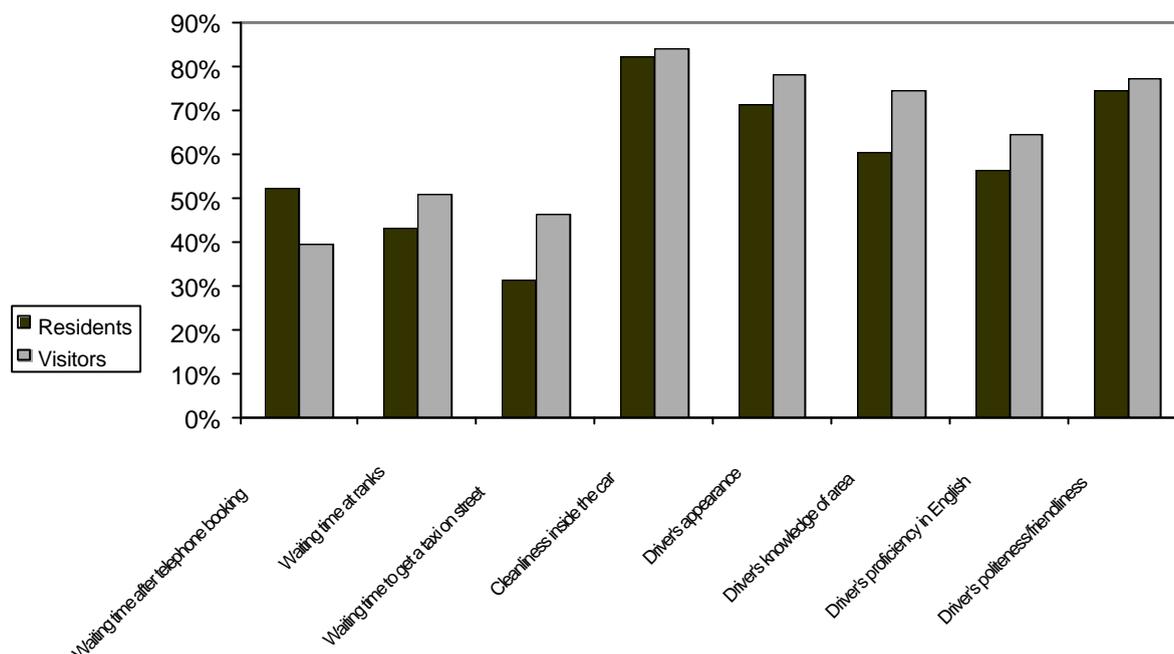
How taxi was obtained	Residents (%)	Visitors (%)
Telephone booking	44.2	32.3
Taxi rank	25.9	29.5
Waved down	29.4	33.5
Other	0.1	4.6
Don't recall	0.4	0.0
Total	100.0	100.0

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

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

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

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



5.3 Maximum taxi fares

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

Table 5.3 shows that day time taxis fares in most Australian cities are similar, but that higher rates are charged at night in Melbourne, Brisbane, Adelaide, Hobart and Darwin.

Table 5.3 Fares for standard daytime hirings in Australian cities

City	Day flag fall (\$)	Day distance rate (\$/km)	Night flag fall (\$)	Night distance rate (\$/km)
Sydney	2.00	1.17	-	-
Melbourne	2.60	0.96	3.60	-
Brisbane	1.90	0.99	3.00	-
Adelaide	2.10	0.97	4.00	1.04
Hobart	2.40	0.96	-	1.16
Perth	2.50	1.00	-	-
Darwin	2.20	1.00	2.90 ¹	1.20

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

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

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

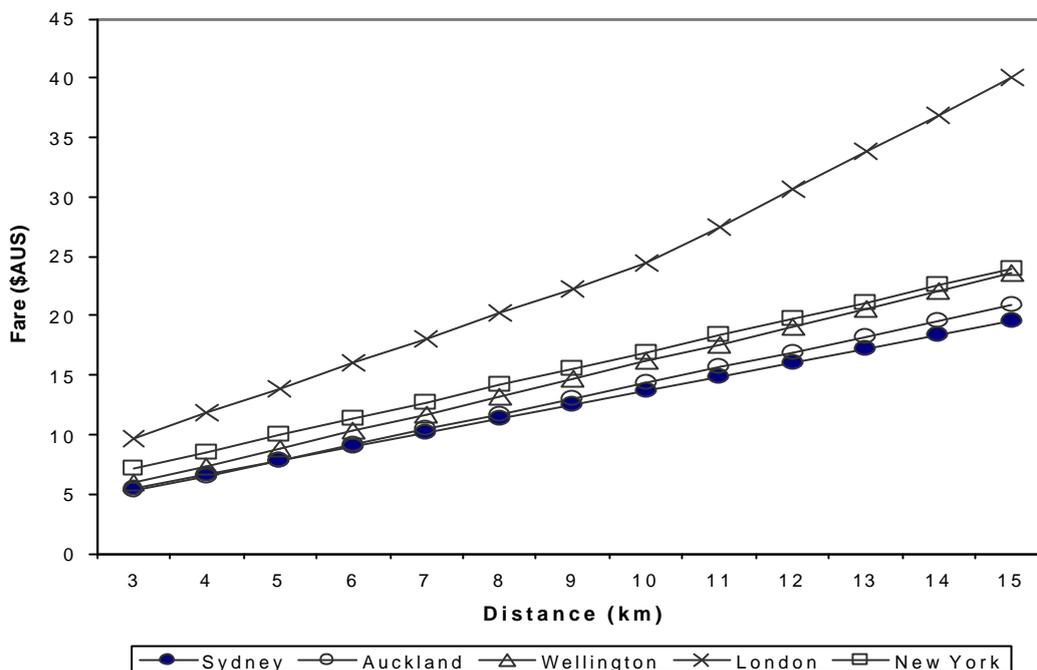
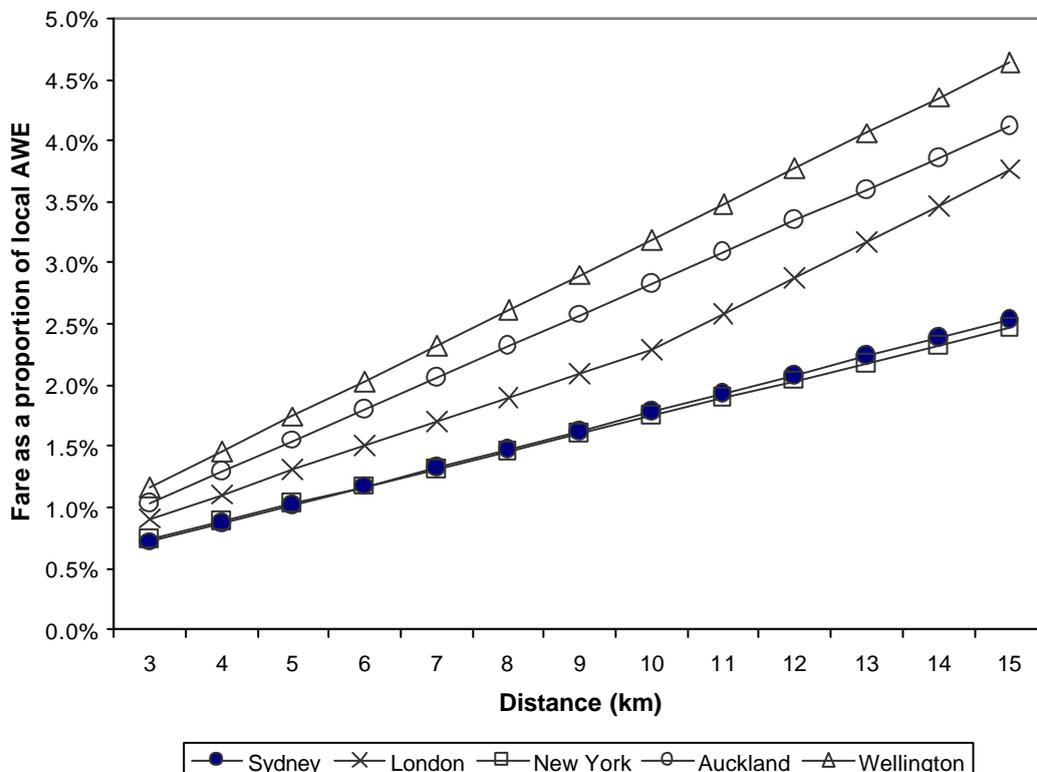


Figure 5.3 Comparison of taxi fares in selected cities (% of local AWE)



5.4 Problems and complaints

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

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

More than 10 per cent of respondents noted increases in waiting times for telephone bookings and waiting times in getting taxis on the street, and deteriorations in drivers' knowledge of the area and drivers' proficiency in English. Approximately half Sydney's residents and a third of Sydney's visitors said they had at least one experience in the preceding 12 months of a worrying incident in relation to a taxi in Sydney. The majority of these incidents involved either being driven by an indirect route or dangerous driving.⁴²

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

Of those who did report incidents, 65 per cent of residents and 50 per cent of visitors were not satisfied with the outcome, mainly due to a lack of any follow up or action. This is consistent with records kept by the DoT and industry representatives which indicate that less than 0.01 per cent of hirings results in a written complaint. The DoT's complaints line records an average of 4,000 complaints a year from an estimated 27 million passenger journeys.⁴³ Premier Cabs' submission states that it receives an average of one written complaint a week while taking over 3 million telephone bookings.⁴⁴

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

⁴² Transport Data Centre, op cit. Tables 91 – 9b, p 15.

⁴³ This figure has been estimated using information on the numbers of telephone bookings made through Sydney taxi companies in 1998, and a passenger survey in 1998 which estimates that telephone bookings constitute just under half of all taxi hirings. See NSW Dept of Transport – Transport Data Centre, *Sydney Taxi Customer Survey Report No 98/4*, April 1998.

⁴⁴ Submission by Premier Cabs Pty Ltd, p 2.

Table 5.4 Summary of complaints registered with the DoT

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

Source: Department of Transport.

Approximately 20 per cent of residents stated that they had been refused a taxi in the preceding 12 months.⁴⁵ As shown in Table 5.5, almost three quarters of those refusals were because the driver perceived the hire as unprofitable or unsuitable.

Table 5.5 Reasons for trip refusal

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

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

The survey also asked respondents to compare Sydney's taxi service with other Australian and overseas cities. Sydney's taxis performed well, with more than half of all residents and visitors rating Sydney's taxi industry the same quality as those in other Australian cities and better than those in major overseas cities.⁴⁶ This suggests customer services problems in Sydney are not unique.

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

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

⁴⁵ Transport Data Centre, op cit. Tables 9a – 9b, p 15.

⁴⁶ Transport Data Centre, op cit. Table 4, p 12.

- the telephone number of the complaints line.

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

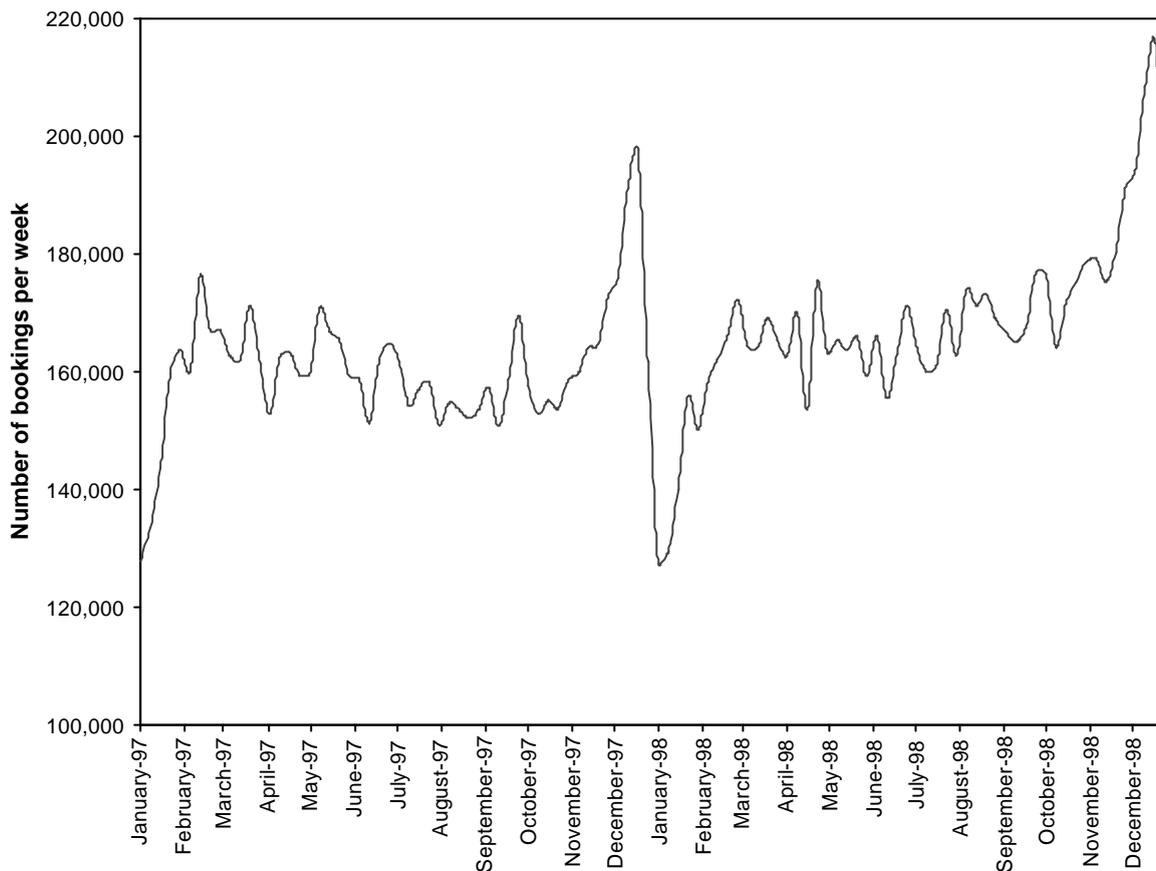
The costs of introducing such a system in Sydney would be \$660 per vehicle if new meters were fitted immediately, or \$160 per vehicle if meters were upgraded as they reached the end of their normal life. The Tribunal understands most operators replace their meters when they replace their taxi vehicle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

5.5 Passenger demand

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

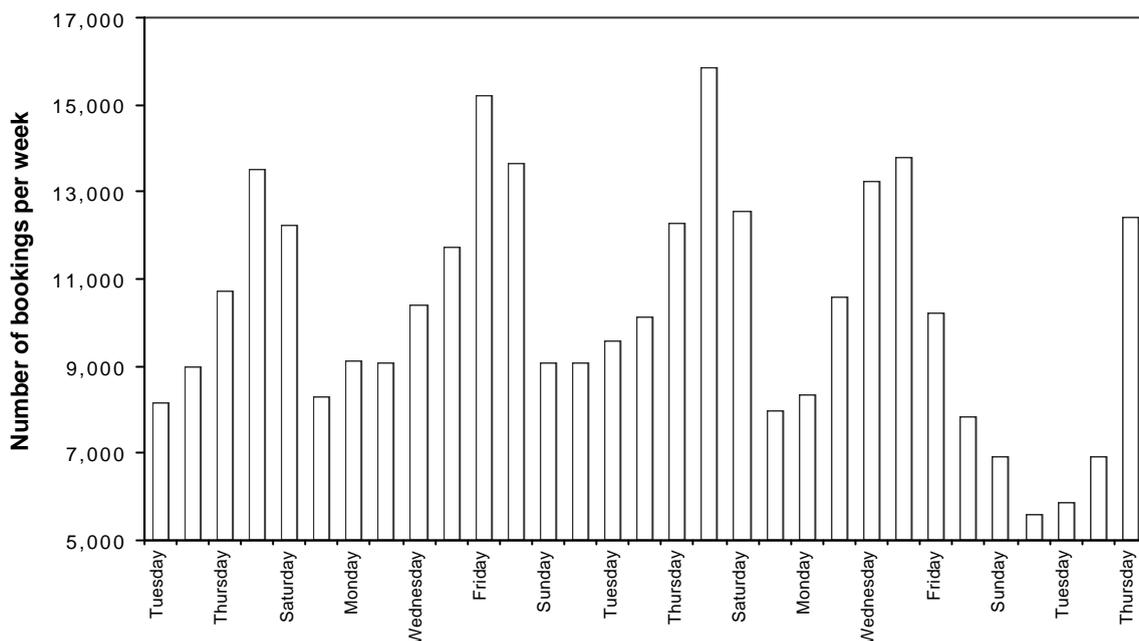
Weekly telephone booking demand for taxi services is highly variable. Figure 5.4 shows the pattern of total weekly demand for radio bookings over the Taxis Combined Services (TCS) network during 1997 and 1998. The data shows a growth in demand between the years. The variability over each year is similar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

Figure 5.4 Trend in weekly demand for telephone bookings in Sydney



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

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



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

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

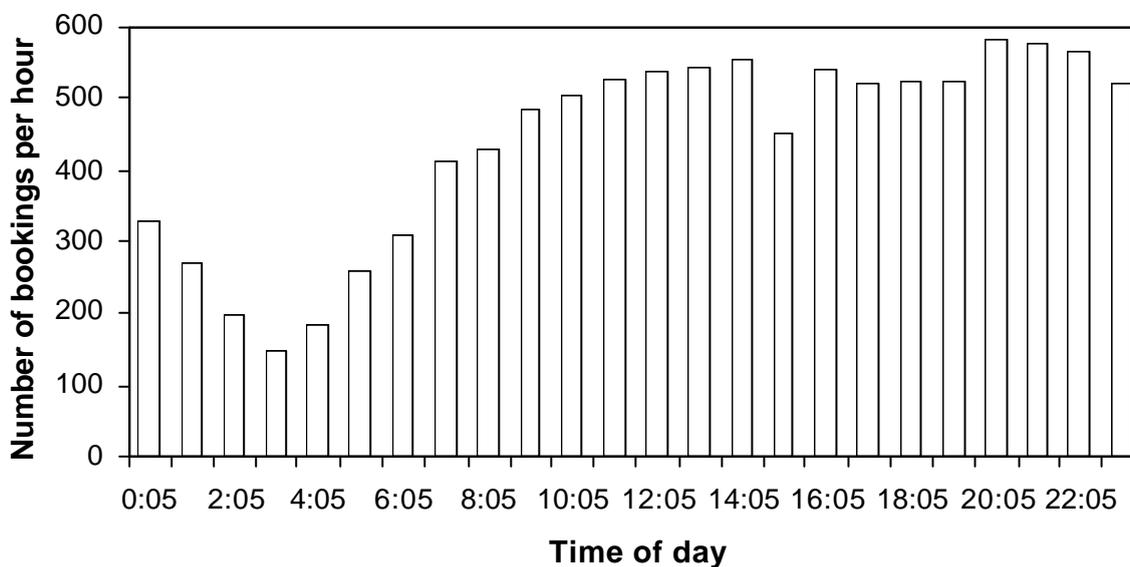
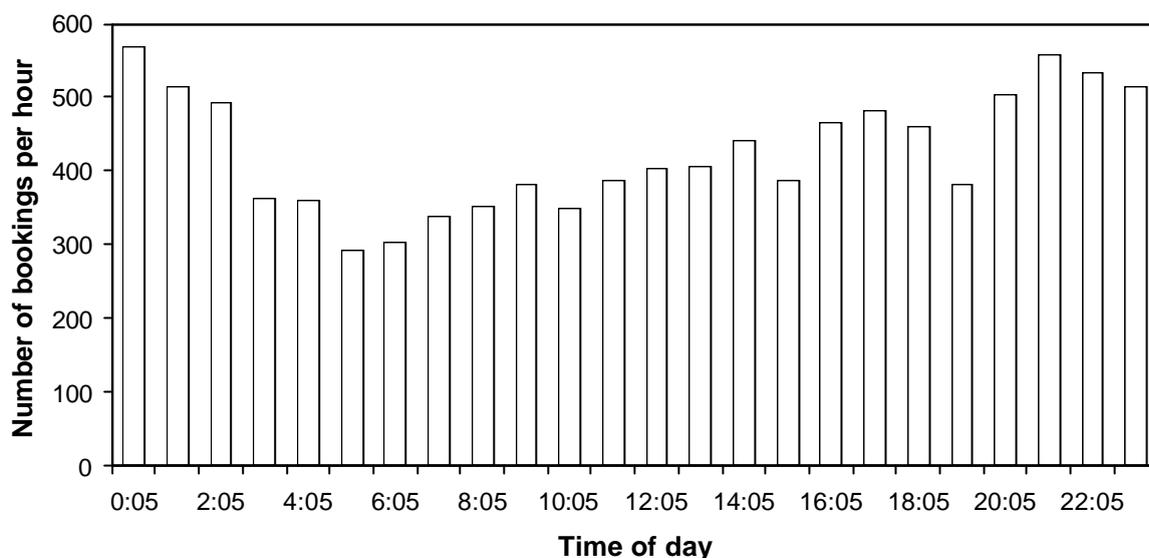


Figure 5.7 Hourly totals of taxi telephone bookings on 'typical' weekend day



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

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

5.6 Taxi availability

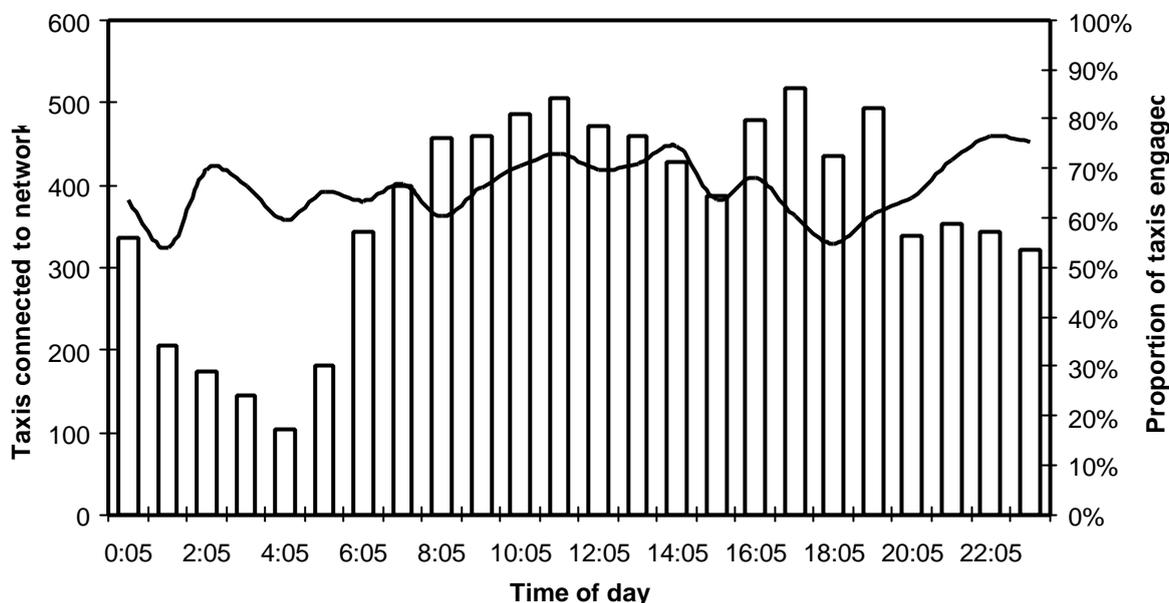
Taxi companies and co-operatives must meet the demand within minimum waiting times set as conditions of their accreditation (discussed in Chapter 8). However, taxi companies and co-operatives cannot force a taxi to be on the road if the driver perceives there to be insufficient work available. Each taxi must be signed on to a network whenever it is working, but each driver sets the hours he/she is willing to work.

Drivers consider a number of factors in deciding upon the hours they will work. These are considered in Chapter 6. However, a key determinant is the level of work available and, by implication, the fare revenue they expect to earn at the regulated fare. The bar graph in Figure 5.8 shows the number of taxis (measured on the left axis) signed on to the Premier Cabs network on a 'typical' weekday. The line graph shows the proportion of those taxis signed on which are engaged by a passenger, expressed as a percentage on the right axis.

Figure 5.8 demonstrates that the number of taxis willing to work adjusts to fit the pattern of demand so that the proportion of taxis engaged never falls below 60 per cent. Below this level, there is likely to be insufficient work available to sustain more taxis while allowing most taxis to cover their costs. Figure 5.8 also illustrates that the level of engaged taxis rarely

reaches 80 per cent. This is probably due to the search and travel time needed for vacant taxis to reach waiting passengers.

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

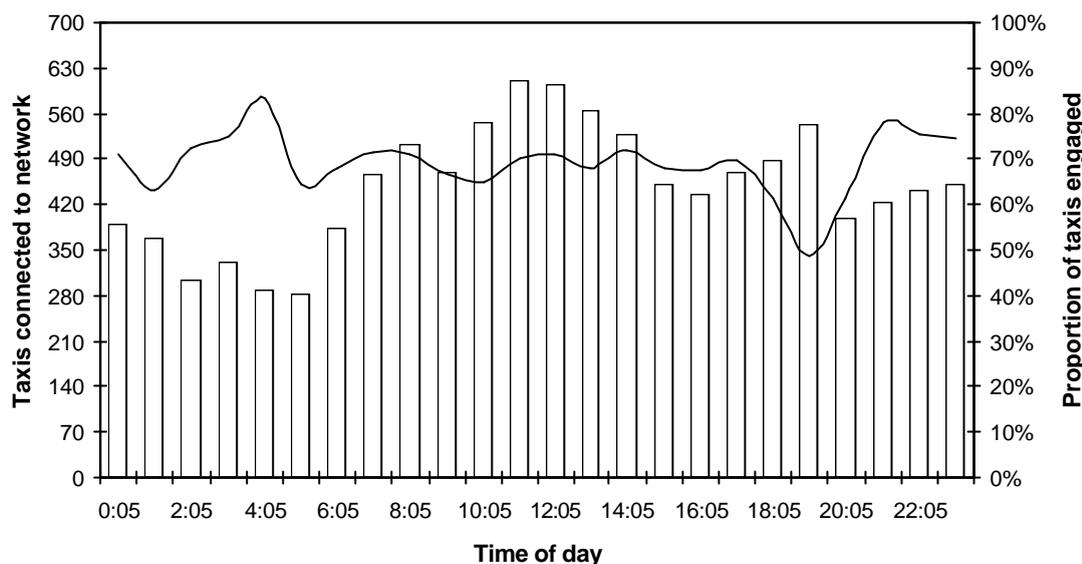


The drop in the number of taxis signed on between midnight and 2am marks the changeover time. Those taxis remaining available for hire between 2 and 3am enjoy an abundance of work.

The gradual rise in the proportion engaged from 6pm onwards is probably caused by drivers (most likely owner-operators) not wanting to drive in the evenings. This may be due to perceived safety risks or a desire to avoid the family and social dislocation caused by night driving.

Figure 5.9 shows a similar graph for a Saturday. The demand for taxis is different, but the number of taxis available for hire adjusts to keep the proportion of engaged taxis within the range of 60 - 80 per cent.

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



The early morning peak in the proportion of taxis engaged marks changeover time and the close of premises with a 3am closing liquor licence.

The drop in the proportion of taxis engaged which starts at 4pm marks the start of shift for a number of bailee drivers. The rise in the proportion engaged from 7pm onwards probably marks those owner-drivers who do not wish to continue driving into the evening, despite an abundance of work, for safety or other reasons.

5.7 Interaction between fares and taxi availability

Figures 5.8 and 5.9 illustrate the way in which fares influence taxi availability. Drivers are willing to remain on the road when they anticipate receiving sufficient fare revenue to compensate them for their time and expenses. At a set fare level, drivers must expect to be engaged for sufficient time of the remaining shift to justify remaining available for hire.

At a higher fare level, more taxis would be willing to remain working at night as this would increase their anticipated earning from the same amount of work. The Tribunal considers that a higher flag fall at night would increase the number of available taxis and improve service levels. However, in the longer term this beneficial effect may be off-set if higher fares are capitalised into taxi licence values, raising lease payments and reducing drivers' earnings.

The ACT currently has a two tier fare structure with a 15 per cent premium applying between 9 pm and 6 am Monday to Friday and all day Saturday, Sunday and public holidays. Melbourne adds \$1 to the daily flag fall at night.

Recommendation

The Tribunal recommends that the Department of Transport increase the NSW flag fall by \$1 between the hours of 10pm and 5am to encourage an increase in the number of taxis available for hire at night.

5.8 Sydney Airport

In 1998 approximately 21 million passengers passed through Sydney Airport. Table 5.6 shows the means used to transport those passengers to and from the airport.

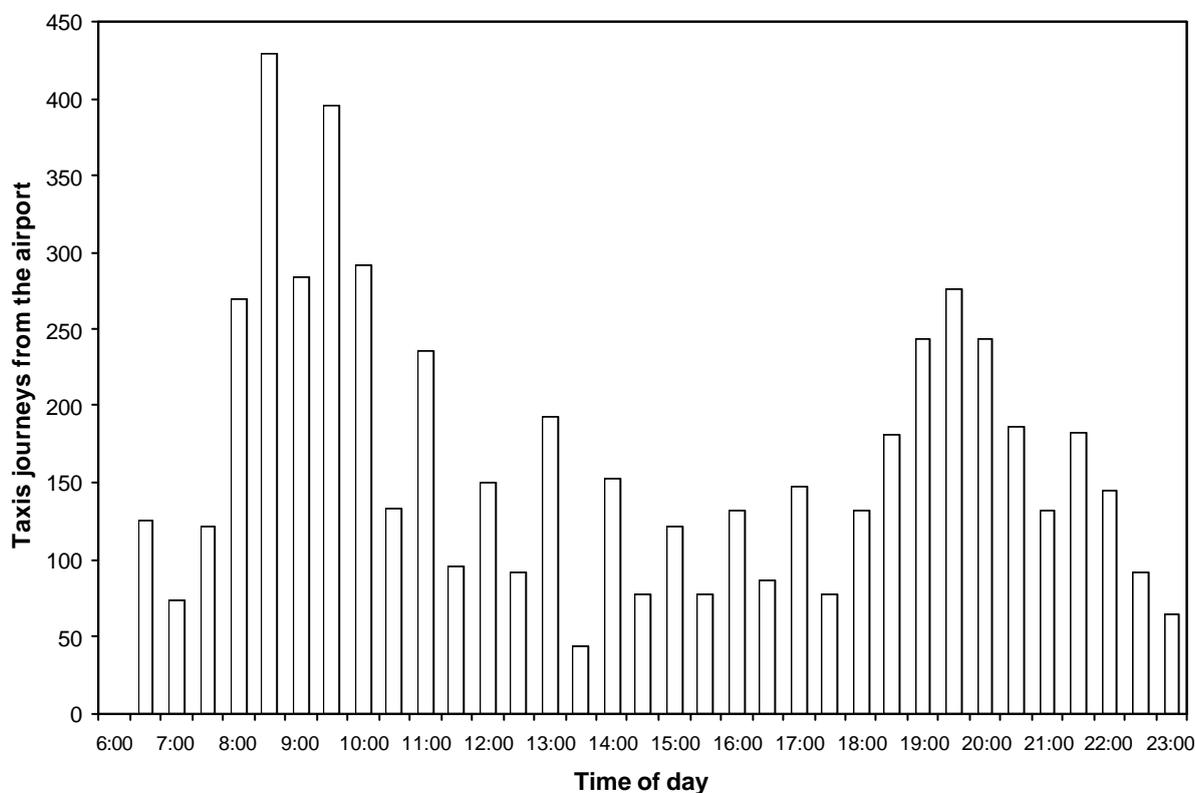
Table 5.6 Transport modes used to travel to and from Sydney Airport

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

Source: Sydney Airport Corporation.

The primary source of public transport for passengers at Sydney Airport, taxis account for about 6.7 million trips per annum or 25 per cent of all taxi trips in Sydney. The number of taxis leaving Sydney Airport each half hour on 12 April 1999 is shown in Figure 5.10.

Figure 5.10 Hourly totals of engaged taxis leaving Sydney Airport



Sydney Airport Corporation states that the “single issue that causes the most frequent and severest complaints is the long passenger delays experienced at peak times, when insufficient numbers of taxis attend the airport to meet demand”.⁴⁷

Other factors influence the availability of taxis at the airport. The first planes are permitted to land just prior to the lifting of the curfew at 6am. Taxi demand in other parts of Sydney is only just beginning to grow at this time. Many taxis begin their shift at the airport, knowing that they are guaranteed a fare within a relatively short time frame. By the time these taxis leave the airport and reach their destination in the city and suburbs, there is sufficient work for them to continue working in those areas.

When taxis do not return to the airport, there is a shortage experienced from 9am through to about 10am. A similar scenario occurs between 6.30pm and 9.00pm when taxis are busy in the city and suburban districts taking people home from work, out to dinner, the theatre, or other locations.

5.8.1 Domestic terminals

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

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

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

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

At peak times, Taxi Council officers supervise the management of the taxi ranks at the airport. These officers are usually ex-taxi drivers. However, at non-peak times this task is carried out by CHUBB Security guards. High staff turnover among temporary security workers means inexperienced staff are conducting the task. Along with higher levels of enforcement activity by the DoT, this situation “literally scares away many drivers, [thereby] worsening the supply problem”.⁴⁸

⁴⁷ Submission by Sydney Airports Corporation, p 2.

⁴⁸ Submission by Sydney Airports Corporation, p 3.

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

5.8.2 International terminal

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

5.8.3 General issues at the domestic and international terminals

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

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

Some overseas cities have introduced minimum charges or surcharges for travel to or from their major airports to help overcome the short trip refusal problem. Indianapolis has a minimum US\$6.50 fare (AUS\$10) from the airport and JFK International Airport has a flat fare to Manhattan of US\$30 (AUS\$46.20). Trips from New York City to Newark Airport attract an additional surcharge of US\$10 (AUS\$15.40).

The Tribunal believes that the supply of taxis to Sydney airport would be improved by a minimum fare of \$10. Wellington airport charges every vehicle accessing the airport NZ\$3 (AUS\$2.45). In the case of taxis, this charge is passed on to the passengers. The airport retains \$1 to spend on improvements to traffic infrastructure and \$2 goes to the taxi driver as an incentive to service the airport.

Recommendation

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

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

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

SAC has approached the DoT about establishing “specific licences requiring taxis to provide services to Sydney Airport at certain peak times, or requiring a minimum number of trips to/from Sydney Airport each week ... [but the DoT has recognised] that such licences are not economically viable and are difficult to enforce.”⁴⁹

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

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

5.9 Wheelchair accessible taxi services

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

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

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

- releasing 500 new WAT licences immediately to cover the current under supply
- gradually introducing a universal taxi vehicle which is wheelchair accessible
- requiring taxi companies and co-operatives to ensure response time parity between WATs and conventional taxis through a performance contract with the regulator
- specifying a quota of a certain number of wheelchair fares over a given period
- introducing a taxi fare meter which has the capacity to announce fares.⁵⁰

The Council notes that the “booking system cannot compel drivers to respond within a certain time.”⁵¹ Some taxi companies have paid travelling time for drivers willing to accept a WAT booking which had been waiting more than 20 minutes. However, this encourages drivers to wait for the offer of 'paid running' and may increase the average waiting time experienced by all WAT users.

⁴⁹ Submission by Sydney Airports Corporation, p 4.

⁵⁰ See Disability Council of NSW *Taxis and People with a Disability Issues for Government and Industry*, 1998

⁵¹ Submission by Disability Council of NSW, p 10.

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

5.9.1 Current NSW Government policy

The DoT has recognised that “people with disabilities have not been receiving the taxi service that they require with waiting times for passengers who need wheelchair accessible taxis being unacceptably long.”⁵² Section 2.6 highlights the other difficulties that people with a disability experience with taxi services.

Prior to August 1998, there were approximately 150 WAT vehicles in Sydney representing 4 per cent of the taxi fleet. The Government is committed to the release of an additional 400 WAT licences at the rate of 20 per month from August 1998. This should bring the total number to 550 representing 11 per cent of the taxi fleet by March 2000.

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

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

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

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

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

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

- the high cost of purchasing a WAT which has the capacity for 2 wheelchairs
- the current lease fee of \$6,000 per annum
- the difficulty of finding a qualified driver to work a second shift to meet the minimum 20 hours of operation licence condition

⁵² Submission by the DoT, p 3.

- fewer jobs can be carried out during a shift due to increased loading and waiting times.

The costs and revenues of operating a WAT taxi are explained in more detail in chapter 7. The Tribunal estimates that WAT vehicles are less profitable to operate than standard taxis. However, this differential can be removed if the annual lease fee is reduced to \$1,000.

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

In an attempt to encourage drivers to conduct WAT work other jurisdictions have implemented various mechanisms. Tasmania allows WATs to charge a higher flag fall of \$3.70 instead of \$2.40 and a standard distance rate of \$1.132/km compared to \$0.997/km. The Tasmanian WAT subsidy scheme provides for a 60 per cent discount on the metered fare, which helps to cover these higher charges.

The Northern Territory provides a minimum subsidy of \$10 which especially helps WAT drivers to provide short trip services. In Western Australia, the driver may start the meter once the taxi has arrived at the pick up location. This covers loading time.

Recommendation

The Tribunal recommends that the annual lease fee for a wheelchair accessible taxi licence be reduced to \$1,000, the minimum operating hours be halved to 10 hours per day, and the Taxi Transport Subsidy Scheme be adjusted to pay drivers of wheelchair accessible taxis an additional \$5 collection fee for each hiring using the voucher scheme.

In Sydney, an alternative to private, individually operated WATs would be for the Government to provide all WAT services or contract the whole service to a particular taxi company or co-operative. The method used to achieve agreed levels of service would then be up to the private taxi company or co-operative. For instance, they may choose to combine a mixture of current WAT operators with some fully employed drivers to ensure outer suburban areas are sufficiently covered.

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

The Disability Council of NSW notes that:

... in some areas with populations of 10,000 there are four or five taxis, but none are wheelchair accessible, so it means that [WAT users] cannot go from that town to a major town for hospital services and they have to arrange community transport, which is very unreliable.⁵³

⁵³ Mr Ben Folino, Policy Officer, Disability Council of NSW, transcript of the public hearing 25 November 1998, p 43.

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

5.10 Costs and benefits of regulations

5.10.1 Customer service and vehicle standards

Most passengers want a reasonable quality of service at a cheap price. Current regulation of driver standards and vehicle quality appears to deliver a level of service which meets the expectations of the majority of taxi passengers.⁵⁴

Recent changes to vehicle quality and drivers' appearances (uniforms) have been well received by passengers. Having improved standards creates benefits for taxi passengers who need not inspect the quality of a taxi before hiring it. It also benefits drivers by preventing poorer quality vehicles from reducing the overall demand for taxi services. Where regulation is successful in maintaining a high quality taxi fleet, this also benefits the business and tourist community in Sydney. However, some people may prefer a lower quality, cheaper service.

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

Problems with trip refusal and long waits for taxis at specific times indicate a lack of taxis. At night this may be due to fares being too low (or the rate drivers must pay to rent a taxi for a shift being too high) to encourage enough drivers to stay on the road. At other times, the lack of taxis may be due to traffic problems or the entire fleet of taxis being too small.

For a regulated taxi industry, a trade off must be made between price, quality and waiting times. There is a risk that quality can be set too high, because increased quality must be paid for in fares. Alternatively, fares can be set too low, creating pressures to undermine quality.

Allowing more competition between taxi companies and co-operatives may allow customers to select different combinations of price, quality and waiting times. It may also remove the deficiency of the current regulated system, which does not appear to deliver the quality of service required by passengers with special needs.

5.10.2 Maximum fare regulation

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

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

⁵⁴ Transport Data Centre, op cit. Figure 1, p 2.

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

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

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

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

5.10.3 Arrangements for complaints handling and enforcement

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

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

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

Recommendation

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

6 TAXI DRIVERS

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

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

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

6.1 Summary of regulations

The main regulations affecting drivers are:

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

6.2 Costs and benefits of regulations

6.2.1 Driver training

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

The two authorised taxi driver training schools⁵⁵ in Sydney enroll approximately two thousand trainee drivers each year. There is also a school in Wollongong and another in Newcastle. All other regional drivers are exempt from the formal training requirements.

⁵⁵ The Least Cost Taxi Centre and Fleet Taxi Training Centre.

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

About 60 per cent of the trainees in Sydney graduate and qualify as drivers.⁵⁶ Failure to pass the English test appears to be the only reason applicants fail. However, approximately 75 per cent of new drivers do not renew their licence after the first year. The costs trainees incur to qualify includes the time taken to complete the course which takes 10 to 16 weeks, the RTA licence fee, and the training course, which costs approximately \$800.

The high turnover rate for drivers is a problem for the industry. Submissions from experienced drivers suggest that it takes up to two years to become a competent driver providing the level of service which passengers require.⁵⁷

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

A separate locality test is administered by the DoT, but it is a multiple choice exam which drivers may take any number of times. The taxi training schools have a selection of the questions and answers available for trainees to practice prior to the exam. It has been suggested that some new drivers leave the taxi training schools with little practical knowledge of how to successfully operate a taxi service, deliver quality customer service, or navigate around Sydney.⁵⁸

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

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

Recommendation

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

⁵⁶ In 1998 a total of 911 from 1,497 trainees passed at the Least Cost Taxi Centre, while 297 passed from the 440 trainees enrolled with the Fleet Taxi Training Centre.

⁵⁷ Submission by anonymous taxi driver, Anonymous S 2968, p 5.

⁵⁸ Submission by anonymous taxi driver, Anonymous S 3045.

6.2.2 Driver safety

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

In 1995, the DoT commissioned a report by Keatsdale Pty Ltd into taxi driver safety.⁵⁹ A survey of drivers reveals that workplace violence against taxi drivers is far higher than is recorded in police and WorkCover records. The report estimates there are 2,200 assaults and 1,600 robberies of taxi drivers each year, 90 per cent of which are unreported to the authorities. On average two taxi drivers are murdered each year in Sydney. Fare evasion is a problem with 70 per cent of drivers reporting at least one fare evader in the 12 months prior to the survey.

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

The Keatsdale report⁶⁰ notes that drivers are particularly wary of picking up persons affected by drugs or alcohol, particularly young males. This is very significant as this same group is a target group for random breath testing and drink driving policies. Drivers are also wary of picking up passengers at night in locations such as Kings Cross and other inner Sydney suburbs.

The main strategies nominated by drivers for dealing with difficult passengers include 'avoiding arguments' and 'talking passengers round'.⁶¹ Poor communication skills appear to hinder drivers' efforts to diffuse confrontation. Rates of assault against drivers of South East Asian background were seven times higher than those of English speaking background. Assaults against drivers of Indian background were six times higher.

A survey conducted across Victoria in 1997 reveals that violence against taxi drivers is also common.⁶² Of those drivers responding to the survey, 33 per cent had experienced physical assault at some time in their driving career. Those driving either Friday or Saturday nights experienced a higher assault rate of 41 per cent. A total of 74 per cent of drivers surveyed had been verbally abuse by customers with the rate for night drivers at 84 per cent. Robbery was lower than expected at 14 per cent of drivers, but 87 per cent had experienced fare evasion.⁶³

⁵⁹ Keatsdale Pty Ltd, *Taxi Driver Safety: A Report to the NSW Department of Transport*, December 1995.

⁶⁰ Keatsdale, op cit.

⁶¹ Keatsdale, op cit., p iv.

⁶² Dr F Haines of the Criminology Department, University of Melbourne *Taxi Driver Survey – Victoria* prepared for the Victorian Taxi Driver Safety Committee, August 1997.

⁶³ Dr F Haines of the Criminology Department, University of Melbourne *Taxi Driver Survey – Victoria*, op cit pp 15-22.

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

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

The Keatsdale report⁶⁴ notes that driver safety could be improved by:

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

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

Western Australia has introduced surveillance cameras in taxis to assist police in identifying people who are assaulting or robbing drivers. The WA Government provided the funding to install the cameras and has imposed a levy on fares to recoup the costs. Crime rates against taxi drivers have apparently dropped by 50 per cent.⁶⁵

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

Taxi operators bear the costs of safety regulation through the costs of installing and maintaining the equipment. For example, the driver protection screens cost approximately \$1,400 to install. However, maximum pay-in rates were increased and an additional \$1 flag fall was added to maximum fares to recover the initial costs from drivers and in turn passengers.

⁶⁴ Keatsdale, op cit.

⁶⁵ Personal communication with the Western Australian Department of Transport.

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

Recommendation

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

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

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

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

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

Recommendation

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

6.2.3 Drivers' industrial conditions

By law, taxi drivers in NSW are regarded as independent contractors rather than as employees of taxi operators. However, the terms and minimum conditions of drivers are specified by an agreement⁶⁶ issued by the NSW Industrial Relations Commission. Major features of the agreement are:

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

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

⁶⁶ *Taxi Industry (Contract Drivers) Contract Determination, Consolidation Award 1984.*

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

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

The Tribunal's issues paper notes anecdotal information that experienced drivers can make up to \$150 per shift, but that many new drivers often work six 12 hour shifts for as little as \$350 per week, or around \$5 per hour.⁶⁷ Some submissions from drivers argue that these estimates are too low.⁶⁸

Direct consultations with other drivers confirm that experienced drivers can earn in excess of \$150 per shift. On the basis of information from the taxi companies and co-operatives, the Tribunal estimates the average earnings for a bailee driver per shift, net of fuel costs and pay-in rate, are around \$60 to \$100.⁶⁹

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

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

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

⁶⁷ IPART, *op cit.* p 13.

⁶⁸ See, for example the submission by an anonymous taxi driver, Anonymous 2968, p 2.

⁶⁹ An average 85 telephone bookings per vehicle per week are despatched. The average fare for all hirings is \$13.00. Telephone bookings are estimated to constitute about half of all hirings (the Transport Data Centre survey of passengers suggests that telephone bookings constitute 44 per cent of all hirings. Information from Premier Taxi network and the Taxis Combined Services network suggest a figure of 50 per cent). Average weekly earnings per vehicle are thus approximately \$2,210. Average revenue per shift depends on how many shifts are worked by the 'average' taxis. Assuming a range of 10 to 12 shifts gives an average shift revenue of \$185 to \$220. From this amount all drivers must pay fuel costs (assumed to be \$25) and a bailee driver must pay for rental of the vehicle at \$97 for a weekday and \$148 for a weekend.

One submission from a taxi driver states that the fixed pay-in system insulates operators from poor quality drivers.⁷⁰ Operators are guaranteed to receive the pay-in amount for the shift, regardless of the quality of the drivers. If a driver cannot make sufficient money to remain in the industry, the operator is easily able to find a replacement casual driver. The submission argues that Government should force operators to accept a commission based pay-in. This would create incentives for operators to seek out and retain experienced drivers, thereby improving customer service. On the other hand, experienced drivers would find this system less attractive.

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

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

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

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

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

6.2.4 Regulation of driver behaviour at ranks and while driving

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

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

⁷⁰ Submission by anonymous taxi driver, Anonymous S 2968.

- comply with all reasonable requests from passengers
- not leave the taxi without good reason
- park the taxi at the first available space on the taxi rank
- comply with any direction given by an authorised officer in respect of rank management
- comply with all reasonable requests of the network in relation to public passenger services
- not refuse a hiring, except in limited circumstances.⁷¹

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

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

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

6.3 Prospects for advancement: owner-drivers

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

Some commentators argue that owner-drivers provide better levels of service.⁷² The current quantity restrictions on licences have raised plate values to around \$280,000, making it very difficult for a new entrant to become an owner driver.

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

⁷¹ Many other less significant regulations exist, which are too numerous to list.

⁷² See a three article series by B Schaller and G Gilbert, "Villain or Bogeyman: New York's Taxi Medallion System" *Transportation Quarterly*, Vol. 49, No. 4, Fall 1995. "Factors of Production in a Regulated Industry: New York Taxi Drivers and the Price for Better Service," *Transportation Quarterly*, Vol. 50, No. 1, Winter 1996 and "Fixing New York City Taxi Service," *Transportation Quarterly*, Vol. 50, No. 2, Spring 1996. See also, I Radbone. The leasing of taxi licences: a discussion paper, Transport Systems Centre, University of South Australia, 1998.

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

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

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

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

In summary, the regulation of taxis in London creates a high quality, but expensive service based on a fleet of owner-drivers and strict driver quality standards. Transportation options for poorer residents are met by a large minicab industry.

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

Only by prohibiting the leasing of licences and requiring all new licence buyers to be owner-drivers could the numbers of owner-drivers be maintained. This would prevent retired owners from earning income from their licence and would suppress licence values by restricting the pool of potential purchasers. Inevitably, political pressure would mount to lift the leasing and purchaser restrictions. Exactly this scenario preceded the Linklater report in 1984⁷³ which recommended allowing leasing and investor owners.

Ultimately, improved driver quality will come only from encouraging experienced drivers to remain in the industry. Favouring owner-drivers is an unstable policy (where licences have a tradeable value) and too indirect a means of retaining experienced drivers. Focussing on improving driver safety may be a more successful strategy.

⁷³ Dr D. Linklater, *Review of Policies and Practices in Regulating the Taxi and Hire Car Industries in New South Wales*, 1984.

7 TAXI OPERATORS

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

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

Table 7.1 Concentration of operation of taxi fleets

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

Notes:

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

7.1 Summary of regulations

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

- pass the Taxi Operator Accreditation course run
- verify their financial standing and good reputation
- prove ability to meet safety and vehicle standards
- provide driver uniforms
- provide a maintenance plan for the vehicle
- provide a vehicle cleaning program
- provide a vehicle of a maximum age and minimum size
- limit the size of advertising and have the content approved by the DoT
- provide driver safety screens, M13 silent alarms and GPS vehicle tracking
- connect each vehicle to an authorised taxi network.

7.2 Costs and revenues of running a taxi business

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

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

7.2.1 Operators running single taxis

The NSW Taxi Council estimates the cost of running a single taxi business to be \$50,000 to \$60,000 per annum. The following table shows the approximate breakdown of these costs:

Table 7.2 Approximate profit and loss from running a single taxi

Item	Owner/Driver ¹	Owner/Driver & one bailee driver ²	Two bailee drivers ³
Revenue			
Gross takings	95,040	74,880	0
Pay-in revenue from drivers	0	40,670	72,450
Total revenue	95,040	115,550	72,450
Operating expenses			
Vehicle cost (lease \$25,000 over 3 years)	8,900	8,900	8,900
Vehicle registration	400	400	400
Safety screen or camera	450	450	450
Insurance	12,900	12,900	12,900
Network fees	5,850	5,850	5,850
Repairs & maintenance	11,000	13,500	13,500
Fuel and car washing	7,000	6,500	0
Office expenses and other	2,000	2,800	2,800
Uniforms, workers compensation & industrial entitlements	400	6,200	11,800
Total expenses	48,900	57,500	56,600
Net profit (before plate cost)	46,140	58,050	15,850
Plate lease cost	18,700	18,700	18,700
Net profit (after plate cost)	27,440	39,350	-2,850

Source: Details on expenses supplied by the NSW Taxi Council and Premier Cabs.

Notes:

1. Owner-driver works 60 hours per week at \$330 per 10 hour shift for 48 weeks.
2. Owner-driver & 1 bailee driver. Owner works 60 hours per week at \$260 per day shift for 48 weeks. Pay-ins estimated as 7 night shifts per week at average scheduled pay-in less 10 per cent off-road time.
3. 2 bailee drivers. 14 shifts per week on scheduled pay-in basis less 10 per cent off road time.

If the plate is leased, revenues collected from drivers by the operator must cover the lease payments of approximately \$18,700 per annum. This suggests that a non-driving operator cannot profitably run a taxi business while leasing a licence unless he reduces some of the

expenses in Table 7.2 or gains above normal revenues. This supports anecdotal evidence that some small operators are cancelling insurance policies to claim refunds, running down vehicles to avoid maintenance, and hiring casual drivers to avoid paying leave entitlements.

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

7.2.2 Operators running larger fleets

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

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

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

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

Note:

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

Total insurance and vehicle registration charges in NSW are significantly higher than those in Victoria.⁷⁴ An operator/driver with the maximum 60 per cent no-claim bonus has to pay around \$13,506 in registration, third party insurance, mutual aid coverage and WorkCover premiums which is almost twice as much as in Victoria, where total costs for the same package of insurance would be \$7,303. The costs for less experienced operator/drivers without a no-claim bonus rises to approximately \$19,600 for NSW and \$8,800 for Victoria.⁷⁵

7.2.3 Impact of the restriction on supply of licences

The restriction on the number of licences increases the costs of operating a taxi business since it must provide a return on the licence value or pay lease payments when the licence is leased. Currently, lease payments on a licence worth \$280,000 add \$18,700 to the costs of running a taxi business.

The estimated figures in Table 7.2 above reveal that a business operating a single taxi (which the operator does not drive) makes a profit of around \$18,580 before lease cost. The goodwill value of a business generating this amount of profit would be around \$120,000, assuming a 10 per cent discount rate over a ten year period with a residual value of one year's cashflow. If the business was valued as a perpetual cash flow, its value would be around \$180,000.

Hence, the additional value of \$100,000 to \$160,000 attributed to licences over and above this amount is a scarcity value caused by the restriction on the number of licences.

⁷⁴ The cost of compulsory third party insurance (CTP green slips) is higher in NSW than in Victoria. Victoria has imposed a cap on premiums, reputedly resulting in some insurance liabilities remaining unfunded. The Motor Accidents Authority assigns a rating to each industry, depending on its risk assessment. The taxi industry has had its rating increased from 6.5 in 1991 to 9.5 in 1998.

⁷⁵ Submission by Premier Cabs, 15 January 1999, p 7.

7.2.4 Operators running wheelchair accessible taxis

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

Table 7.4 Approximate profit and loss from running a WAT

Item	Operator/ Driver Wheelchair Accessible Taxi ¹	Operator/Driver of WAT plus one bailee driver ²
Revenue		
Gross takings ³	85,550	67,400
Pay-in from drivers	0	40,650
Total revenue	85,550	108,050
Operating expenses		
Vehicle cost (Lease \$73,000 over 5 years)	15,230	15,230
Safety screen or camera ⁴	400	400
Vehicle registration	450	450
Insurance	12,900	12,900
Network fees	7,670	7,670
Repairs & maintenance	12,000	14,500
Fuel and car washing	9,500	7,000
Office expenses and other	2,000	2,800
Uniforms, workers compensation & industrial entitlements	400	6,200
Net expenses	60,550	67,150
Net profit (before plate costs)	25,000	40,900
Plate lease cost	6,000	6,000
Net profit (after plate costs)	19,000	34,900

Source: Details on expenses have been aggregated from information supplied by Premier Cabs.

Notes:

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

The main additional costs incurred in operating a WAT is the costs of the vehicle. There are currently a limited number of options for a WAT vehicle which meets the Government's specification for two wheelchairs. Premier Cabs has "sourced a Mercedes Benz vehicle with customised fit out capable of accommodating 2 wheelchairs or 11 passengers. This vehicle will cost in excess of \$70,000 before registration and insurance."⁷⁶ Therefore the cost of a WAT can be more than twice that of a Ford Falcon at around \$30,000. The current Toyota vehicle comes only with a manual transmission which industry participants consider is unsuitable for taxi work in Sydney's traffic.

⁷⁶ Submission by Premier Cabs, 15 January 1999, p 4.

A comparison of the information in Tables 7.2 and 7.4 suggests that an operator/driver (with a full time bailee driver) driving a WAT vehicles earn approximately \$4,500 less per annum than he would operating a standard taxi. Given the additional training required to drive a WAT, approximate parity could be achieved if Government was to reduce the \$6,000 annual lease fee to an amount sufficient to cover the costs of administering the licence. The Tribunal estimates that an amount of \$1,000 per licence would be sufficient.

When WAT vehicles are not conducting booked jobs, they seek hire at ranks or by cruising the streets like any other taxi. However, there appears to be some community resistance to hiring a WAT. This reduces the overall demand for the WAT taxi, thereby limiting the driver's ability to generate additional fare revenue.

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

7.3 Costs and benefits of regulations

7.3.1 Operator training course

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

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

However, it is unlikely that these wider benefits justify making the course mandatory. Given the benefits of the course to potential operators, they will seek out this or some other course to help them establish the business if they need help. If the DoT is concerned about the preparedness of new applicants, it could examine applicants on this material.

7.3.2 Financial standing and good reputation

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

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

7.3.3 Vehicle and driver presentation

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

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

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

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

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

Recommendation

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

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

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

Taxis in the three metropolitan districts that are found to have a serious or dangerous defect are excluded from the ATIS scheme for a period of 12 months if it is considered that the defect was the result of poor maintenance. These vehicles are inspected by the Heavy Vehicle Inspection Stations every 2 months for 12 months and must pass every test before

being allowed back to the ATIS scheme. The costs of each such inspection is \$49, so the financial penalty for not properly maintaining vehicles is very small.

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

Recommendation

The Tribunal recommends that the Department of Transport consider instituting a system to penalise Authorised Taxi Inspection Stations financially if they fail to inspect taxi vehicles properly.

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

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

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

The fitting of driver protection screens has resulted in discontent among some drivers who believe that screens restrict driver visibility and increase the danger of being trapped if an accident occurred. Some drivers have argued that it is difficult to communicate with passengers and there may have been a fall in customer service levels. The recently commenced trial of security cameras may provide some options to those dissatisfied with the screens.

7.3.5 Compulsory connection to an authorised taxi network

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

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

8 TAXI COMPANIES, CO-OPERATIVES AND NETWORKS

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

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

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

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

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

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

Table 8.1 Services provided by taxi companies and co-operatives

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

Source : Sydney taxi co-operatives and companies.

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

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

The taxi companies and co-operatives handle the vast majority of complaints received from the public. Where appropriate, some complaints are investigated by the DoT. The DoT carries out the functions of auditing and monitoring the taxis industry and the car industry for compliance with the prescribed regulations.

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

8.2 Economies of scope in the provision of network services

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

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

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

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

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

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

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

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

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

The Tribunal estimates that the cost of establishing a network service for a fleet of 300 taxis would be in the order of \$1.9m (\$6,300 per taxi) in the first year, with ongoing operating cost of \$900m per annum (\$3,000 per taxi). The existing networks charge approximately \$6,000 per annum. This suggests that the capital costs of establishing a network, including driver safety measures such as GPS vehicle tracking, do not force taxi companies and co-operatives to subscribe to a larger fleet. It also indicates that individual taxi fleets value the economies of scope that come from being part of a larger network. Presumably this is because they can access radio work when outside the natural catchment area of their taxi fleet's brand name. The regulation of minimum pick-up times reinforces this decision.

8.3 Summary of regulations

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

- demonstrate that their directors are fit and proper persons
- demonstrate sufficient financial capacity to provide network services
- obtain a radio network licence issued by the Federal Department of Transport and Communications
- produce a certificate from an engineer that their communications equipment is reliable and has sufficient coverage for the relevant area of authorisation
- demonstrate appropriate maintenance schedules and contingency plans
- demonstrate managerial capabilities and procedures for operation of the network
- provide a radio booking service 24 hours a day, seven days a week
- meet minimum standards for answering telephone calls:
 - 90 per cent of calls to be connected to the booking service immediately
 - 70 per cent of connected calls to be answered within 1 minute
 - 90 per cent of connected calls to be answered within 2 minutes
- meet minimum standards for pick-up times:
 - 85 per cent arrival within 15 minutes of booking being made
 - 98 per cent arrival within 30 minutes of booking being made
 - 100 per cent arrival within 60 minutes of booking being made
- provide facilities for customer queries and lost property
- provide quarterly reports to the DoT on:
 - number of taxis operating on the network
 - number of telephone bookings requested
 - number of bookings for which no car was available (NCAs)
 - full details of NCAs including time and location of the pick- up point
 - total averages for telephone answering standards
 - total average delivery standards
 - full details of delays in excess of 30 minutes
 - full details of taxis transferring into and out of the communications network.
- provide annual audited financial statements.

8.4 Costs and benefits of regulations

8.4.1 Entry requirements

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

8.4.2 Performance standards

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

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

Telephone response times

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

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

Pick-up times

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

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

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

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

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

Taxi companies in Western Australia do not communicate job destinations when dispatching a booking. This is similar to the situation arising from street hails, where the driver may refuse a passenger only if that passenger is travelling to a destination outside the driver's transport district.

Although not communicating the booking destination is also a network requirement in NSW, this is not enforced by the DoT. Industry representatives believe there is a safety issue if destinations are not made available to drivers. Others suggest that this arrangement will encourage drivers to concentrate on the rank and hail markets and avoid phone bookings except when work is very short.

The Tribunal seeks comments on whether customer service would be improved if taxi companies and co-operatives were prohibited from broadcasting destinations for all bookings.

8.4.3 Reporting requirements

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

review the reliability of the information systems which generate it, or take any enforcement action against non-complying networks.

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

The current system forces the DoT to judge what is an acceptable standard for pick-up times. It also forces taxi companies and co-operatives to send a taxi from another fleet where they are unable to pick up a job within the time limit. This undermines the independence of each taxi company or co-operative and delivers a product different to that selected by the passenger.

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

Recommendation

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

8.5 Should network standards be expanded?

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

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

The Tribunal is interested in exploring whether regulation of driver and vehicle standards may be more effective if taxi companies and co-operatives were made directly responsible for these aspects of service provision. Initially, this could be done by including performance on these aspects in the information reported publicly by the DoT on each taxi company and

co-operatives. However, if this mechanism is not effective, the DoT should consider making taxi companies and co-operatives directly responsible for these aspects of service quality.

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

However, it is unlikely that taxi companies and co-operatives can increase the supply of taxis on the road. The Tribunal's analysis indicates that general number of taxis on the road can only be increased by improving the returns to drivers, either by increasing fares or decreasing the costs of running a taxi business (and pay-in rates). At peak periods the supply of taxis can only be increased by issuing more taxi licences. The Tribunal is also concerned that holding taxi companies and co-operatives responsible for driver and vehicle standards may further concentrate the industry.

One area in which taxi companies and co-operatives may be able to improve service delivery is the provision of WAT services. Victoria has introduced a system whereby each WAT vehicle must complete a certain quota of WAT each shift. Compliance with this quota can be verified relatively easily by the taxi company or co-operative through its GPS network.

The Tribunal seeks comments on whether taxi companies and co-operatives should be made directly responsible for driver performance and vehicle standards.

9 LICENCE OWNERS

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

Table 9.1 Concentration of licence ownership

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

Notes:

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

Table 9.2 Concentration of licence ownership, by network control

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

Notes:

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

9.1 Summary of regulations

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

9.2 How many taxis?

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

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

In a deregulated taxi industry, the number of taxis will be determined by the supply and demand for taxi services. However, this can become complicated as a range of combinations of fare levels and waiting times can achieve a stable balance between the demand and supply of taxi services. Passengers demand for taxi service is influenced by the fare they have to pay, the quality of the taxi and the time they have to wait before getting a taxi.

Similarly, taxi drivers include the cost of vacant time between fares when calculating the cost of making a taxi available for hire. Passengers prefer a higher level of vacant time for taxis as this reduces the time they have to wait. Drivers prefer a lower level of waiting time and will remain on the road during slower times only where fares are high enough to generate sufficient income with fewer hirings per hour.

Where fares are regulated, the supply of taxis will adjust to a level where drivers can still make sufficient income including the costs of waiting time. Higher fare levels allow drivers to have more vacant time, increasing the availability of taxis and decreasing the time passengers must wait. Lower fare levels force drivers to keep vacant time to a minimum, taking vehicles off the road when demand drops. Waiting times are correspondingly lower.

Where a limit is placed on the number of taxis, the regulator must make a decision on the optimal number of taxis in a location. Again this will depend on the demand for taxi services, fare levels and the costs of running a taxi business. An increase in fares may lead to an increase in taxi availability if it allows drivers to make sufficient revenue with greater vacant time. However, any increase in availability may be offset if licence values (and hence licence lease costs) rise, pushing up the costs of running a taxi business.

Broad indicators such as population growth and income growth give some indication of the demand for taxi services. Since the early 1960s, the number of taxi per 1000 population in Sydney has remained within a range of 1.04 to 1.14.⁷⁷ Table 9.4 provides some indicators of the growth in demand for taxi services in recent years. The Tribunal considers that demand for taxi services has increased in line with growth in the number of airport passengers and telephone bookings.

⁷⁷ Time series from 1961 to 1981 sourced from the Linkater report, 1984. Remaining time series sourced from the Department of Transport.

Table 9.3 Indicators of growth in demand for taxi services (Sydney)

Indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998
Taxis per 1,000 population	1.13	1.12	1.11	1.10	1.09	1.08	1.06	1.08	1.12
Domestic Airport passengers ('000)	5,973	8,215	10,646	10,839	11,631	12,740	13,684	13,940	14,132
Percentage Change (%)		37.53	29.59	1.81	7.31	9.54	7.41	1.87	1.37
International Airport passengers ('000)	4,135	4,146	4,424	4,648	5,019	5,603	6,195	6,698	6,843
Percentage Change (%)		0.27	6.70	5.05	7.99	11.64	10.56	8.13	2.17
Radio bookings ('000)					11,306	11,083	12,451	12,792	13,703
Percentage Change (%)						-1.97	12.35	2.74	7.12

Table 9.4 shows the number of taxis per 1000 population in a number of Australian and overseas cities.

Table 9.4 Taxis per 1,000 population for selected cities

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Auckland	Wellington
Standard taxis	3,933	3,247	1,448	920	922	209	2,970	1,150
WAT's	330	84	99	69	46	10	30	22
Peak availability	272				70			
Total taxis	4,535	3,331	1,547	989	1,038	219	3,000	1,172
Population ('000)	3,987	3,371	1,575	1,088	1,342	195	1,024	320
Taxis per 1,000 population	1.14	0.99	0.98	0.91	0.77	1.12	2.93	3.66

Taxis are only one of a number of transport options, so demand will also be influenced by such things as changes in the cost of owning a private car or the opening of new train lines and bus services.

Taxi numbers are not limited in New Zealand and consequently the costs of running a taxi business do not include paying a return on a licence value. The relatively high number of taxis per 1000 population in Auckland and Wellington demonstrates that taxi business are cheaper to run and can tolerate a much higher level of vacant time. Waiting times by passenger are very short.

The Tribunal believes that the current number of taxi licences in Sydney does not meet the demand for taxi services at peak times and has fallen behind the general growth in the demand for taxis services.

However, the Tribunal wishes to ensure a sensible strategy is adopted to free up the regulation of taxis in Sydney. The Sydney taxi industry operates in a very restricted environment. Regulation covers all aspects of the industry from drivers behaviour to the management of taxi companies and network services. Taxi industry participants are closely involved in policy issues, and the DoT is closely involved in decisions which directly affect how operators and taxi companies manage their businesses.

In the Tribunal's view, both industry participants and the DoT should have the experience of operating in a freer environment before full deregulation is considered. Further, the Tribunal's recommendations on open entry to the hire car industry will increase competition and transport options in the upper end of the transport market. Accordingly, the Tribunal supports a phased increase in the number of taxi licences so that industry, passengers and the DoT can adjust to a more open environment.

The Government's current policy is to issue additional 6 yearly, non-transferable licences at the rate of 20 per month from August 1998. This represents annual growth of approximately 5 per cent in licence numbers. The Tribunal considers that this rate of increase should be continued for a period of five years from 2000 to 2005. Following this the Government should review again the need to retain restrictions on the number of taxi licences.

Recommendation

The Tribunal recommends that the number of taxi licences in Sydney be increased by 5 per cent per annum between 2000 and 2005, following which time the Government should review whether it is necessary to retain restrictions on the issue of taxi licences.

During this five year period, the DoT should monitor the availability of taxis, and develop and publish a more comprehensive range of indicator of demand. A more comprehensive list of indicators of the demand for taxi services would also include:

1. waiting times at ranks for passengers and taxis at head of queue
6. average waiting times for radio bookings
7. average number of radio bookings per vehicle
8. average numbers of hirings per vehicle.

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

Recommendation

The Tribunal recommends that the Department of Transport develop and publish at 6 monthly intervals a range of measures of the demand for taxi services. These should include:

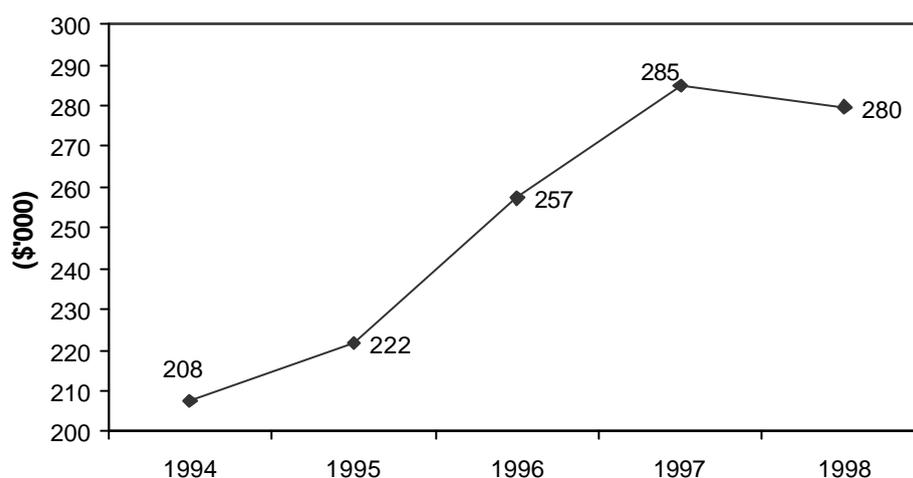
- ***waiting times at taxi ranks for passengers and taxis at the head of the queue - measured by surveying ranks at six monthly intervals***
- ***average waiting times for radio bookings - measured by audited statistics provided by the taxi companies and co-operatives***
- ***average numbers of radio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

9.3 Costs and benefits of regulation

9.3.1 Restriction on the number of licences

There is a secondary market for the trading of existing licences. Figure 9.1 shows the traded values of licences over the past five years in the Sydney metropolitan transport district. Plate values for unrestricted licences have risen by approximately 34.5 per cent over the past four years but values now appear to have stabilised. The announcement of 500 additional WAT and peak availability licences in June 1998 may have influenced plate values.

Figure 9.1 Change in Sydney taxi licence values over time



Source: NSW Department of Transport.

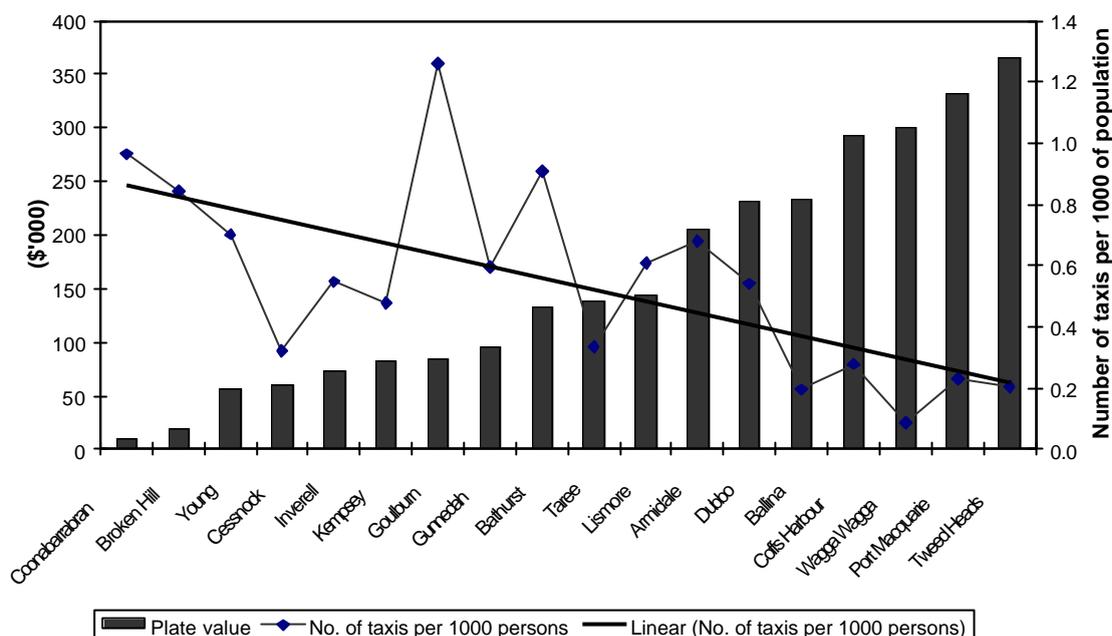
A new entrant to the taxi industry must either purchase (approximately \$280,000 in Sydney) or lease (\$360 per week) a licence. The requirement to own or lease a licence appears to be a significant barrier to entry and to impose a cost on the community since fewer taxis are on the roads than would otherwise be the case.

As estimated in section 7.2.3, between \$100,000 and \$160,000 of the value of a licence is due to the restrictions on the quantity of licences available in the taxi industry. This artificially inflates the costs of running a taxi business. If this value could be eliminated, the same level of taxi availability could be achieved at a lower fare level. Alternatively, at the same fare level, taxi could tolerate more vacant time and hence taxi availability could be improved. In a fully deregulated industry, the balance between taxi fares and availability would be set by the market.

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

The cost of licences in rural and regional areas can range anywhere from \$5,000 to approximately \$360,000 depending on market conditions in each area. Figure 9.2 shows the DoT's assessment of licence values in 18 other rural and regional areas where there have been recent sales of licences.

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



This sample of rural and regional locations shows an enormous disparity in values. Generally, larger towns and areas on the coast with tourist activity have higher values. The trend line shows the expected inverse relationship between 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. In some locations, the estimates of population used may not reflect the demand for taxi because of the presence of other townships nearby, tourist populations or other transport options.

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

Their submission cites a 1996 plan drawn up between the DoT and the NSW Taxi Council based on the following steps:

1. The DoT and the NSW Taxi Council would identify those towns in which taxi numbers were to be increased and decreased, and by how many (although no criteria was specified for this).
2. Licensees moving to an area where taxis licences have a greater value, would pay to the Government the difference in price, less 10 per cent to allow for some decrease in value of all licences in the destination area.

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

The plan did not proceed and the Tribunal understands that the DoT does not favour such an approach. The Tribunal believes that customer service would be improved by increasing the supply of taxis in those locations suffering shortages. However, the Tribunal cannot see any benefit to reducing the supply of taxis in areas which the taxi industry regards as having a surplus of taxis.

The adequacy of supply should be judged according to the criteria of:

1. waiting times at ranks for passengers and taxis at head of queue
2. average waiting times for radio bookings
3. average number of radio bookings per vehicle
4. average numbers of hirings per vehicle.

Recommendation

The Tribunal recommends that the Department of Transport conduct periodic surveys of rural and regional locations to judge the adequacy of current supplies of taxi licences. Adequacy of supply should be judged from waiting times at ranks and for radio bookings, and the average number of bookings per vehicles. Benchmarks should be developed by comparing rural and regional locations in NSW with those in other States.

9.3.3 Equity and the value of existing licences

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

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

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

Restricting the number of licences may 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 believes that the private interests of existing licence holders should be considered in controlling the rate at which the supply of licences is increased. A predictable and steady increase in taxi licence numbers will avoid unnecessary shocks to licence values. However, the Tribunal does not believe that maintaining licence value is a sufficient justification for retaining restrictions on licence numbers if additional licences will improve customer service.

9.3.4 Methods of issuing new licences

In rural and regional areas, all taxi co-operatives owned by their members. One way to increase the supply of licences while minimising the impact on existing licence owners is to issue licences free to the co-operatives. The capital value of pre-existing licences would be preserved, albeit spread across a greater number of licences.

In the Sydney transport district, this mechanism cannot be used as the traditional co-operative ownership structure is no longer in place. The simplest way to increase the supply of licences would be for the DoT to auction an additional 5 per cent of licences each year. However, this may dilute the value of existing licences.

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

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

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

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

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

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

Recommendation

The Tribunal recommends that all new licences issued in Sydney between 2000 and 2005 be six-yearly, non-transferable licences to limit the impact of new licences on existing unrestricted licence holders.

The Tribunal notes that the DoT has successfully issued 100 six-yearly, non-transferable licences for normal taxis in 1998 at an annual licence fee of \$6,000. There are a range of ways in which short-term licences could be issued in the future.

Further licences could be issued at the same \$6,000 fee, with the fee being reduced if insufficient licences are taken up. However, the Tribunal is concerned that there is no clear rationing mechanism where more taxi operators wish to enter the industry than licences are available. Possible rationing mechanisms include a ballot system or licences being issued to operators in order of lodgement. A transparent process would be essential to the success of these rationing mechanisms.

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

The Tribunal seeks comments on the appropriate method of issuing six-yearly, non-transferable licences for normal taxis during the period 2000 to 2005 and the appropriate fee for these licences.

9.3.5 Area based operating restrictions in licence conditions

Limiting the area in which a taxi may operate, NSW is divided into transport districts. A taxi may drop a passenger outside its district, but 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. Whilst a shortage of taxi licences may generate private benefits to licence owners, there are clear costs to the community from the mismatch of supply and demand.

Taxis are generally unrestricted as to where and when they may operate within a district. However, 25 licences in Sydney are limited to working in suburban and city fringe areas.⁷⁸ These restrictions are anachronisms, provide no benefit to passengers, and are unlikely to be enforced. They should be removed.

Recommendation

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

9.3.6 Peak availability licences

The recent issue of 'peak availability' licences which place restrictions on the hours of operation is designed to 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.

The Tribunal's analysis suggests that increasing the supply of taxis at peak periods can only be achieved by some increase the number of taxis, improving driver safety and, adjusting fares to make driving at these times more attractive. The Tribunal believes that licence conditions are not an appropriate regulatory tool to influence the hours a taxi can operate and thereby the general level of taxi availability.

Recommendation

The Tribunal recommends that time restrictions on peak availability licences be removed. Service improvements at peak times should be addressed by increasing the number of taxi licences, improving driver safety, and increasing fares at night.

⁷⁸ There are approximately five restricted fringe areas: Camden, Emu Plains, Berrilee, Windsor/Richmond and Hornsby. An annual fee is paid to the DoT during the contract period. This comes up for renewal in 1999.

10 THE HIRE CAR INDUSTRY

Private hire vehicles are luxury chauffeur driven vehicles which provide a passenger service through private arrangements. They differ from taxis in that they are unable to obtain hirings from the street or taxi ranks. Hire cars serve a diverse range of markets which are peripheral to core public transport. Many provide specialised services which are allied to other industries and events such as tourism, conference organisation, weddings, school formals, funerals and other niche markets.

10.1 Hire car entry requirements and ongoing regulations

Under the Act, hire cars may have either perpetual unrestricted licences (240 vehicles) for all types of hire car work, or short term restricted licences (around 400 vehicles) which may conduct only certain classes of work, serving as wedding cars, mourning vehicles, and providing tourist services.

Entry accreditation requirements

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

- two character references from people of defined professions stating that the applicant has been known to them for at least five years and is of good repute
- a statement from the applicant's accountant certifying the financial viability of the applicant and his/her proposed operation
- a reference from the manager of the applicant's principal bank stating the bank's assessment of the applicant's credit worthiness
- third party insurance for a minimum of \$200,000
- not being bankrupt or convicted of a serious criminal offence.

Operators of more than three vehicles have additional requirements including:

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

Ongoing regulatory restrictions

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

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

There is a clear problem with enforcing the present restriction of 10 non-wedding trips⁷⁹ for restricted hire cars, given the obvious difficulty in identifying when operators have exceeded the total. The cost of compliance monitoring by the DoT must be weighed against the benefits, if any, obtained by restricting entry into the hire car market. Maximum hire car fares are not regulated by the DoT.

10.2 Current service levels

Reports on the hire car industry published in 1983⁸⁰ and 1996⁸¹ argue 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. However, the DoT reports that it receives very few complaints about the standard and availability of private hire vehicles.

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

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

10.3 Lack of opportunities for business development

Several submissions from restricted hire car licence operators claim that existing regulations prevent them from satisfying passenger demand which is currently not being met by unrestricted hire car licence holders. These submissions seek greater flexibility in the regulations to enable them to service emerging new markets without the need to conform with outdated specified vehicle standards. For example, a submission from Australian Dream Weddings expresses interest in being able to offer tours of Sydney in a package including restaurant dining using their existing Cadillac wedding vehicles.⁸²

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

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

Tourist vehicles are restricted to van style vehicles of nine seats capacity operating mainly as airport shuttle services or as transport for small groups to specific events. In 1990 restrictions on the number of tourist vehicles were removed and the number of these vehicles rose from 200 to approximately 2000.

⁷⁹ From January 1999, the DoT has required notification of the 10 trips.

⁸⁰ Dept of Motor Transport NSW, *Review of policies and practises in regulating the taxi and hire car industries in NSW*, December 1983.

⁸¹ RJ Cotton for the Dept of Transport, *Review of the private hire vehicle industry in NSW*, December 1996.

⁸² Australian Dream Weddings, submission to IPART, 30 September 1998, p 1.

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

10.4 Costs and benefits of existing regulations

10.4.1 Restrictions on the number and duration of hire car licences

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

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

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

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

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

The consumer is quite well represented by the Department of Fair Trading, the vehicle standards by the RTA etcetera, ... I think competition will keep everyone honest. The amount of problems in that (wedding) industry has been, as the Department of Transport said, none at all.⁸³

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

Recommendation

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

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

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

Recommendation

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

10.4.2 Annual fees for hire car licences

The current short term unrestricted hire car lease fee is set by the DoT at \$16,000 pa (\$1,330 per month). The secondary market for the permanent version of such licences has recorded sales in 1999 averaging \$150,000. Plate owners lease unrestricted licences for approximately \$1,000 per month. The short term licence fee charge by the DoT is not achieving its objective of satisfying temporary, unsatisfied demand. Instead the fee appears to underwrite unrestricted permanent plate values.

A fairer mechanism for the short term fee would be to recover the administrative and compliance costs associated with this licence.

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

Until very recently, the fee for a short term, unrestricted hire car licence was calculated using the 1990 Commonwealth Bond rate and the last sale price of a hire car licence in the area in question.⁸⁴ The minimum short term licence fee of \$3,000 imposed a floor to the bond rate calculation. Whilst the bond rate used in the calculation has now been updated, the calculation is still premised on the need to protect the licence value of permanent licences.

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

Recommendation

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

10.4.3 Driver and operator accreditation

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

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

⁸⁴ If an unrestricted hire car licence had not been sold in the area, half the value of the most recently traded taxi licence was used as a benchmark value.

10.4.4 Hire car business operating requirements

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

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

Recommendation

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

10.4.5 Vehicle standards

Current regulations limit the choice and age of vehicle which a hire car operators may use. Operators may run a Ford Fairlane, Ford LTD, or Holden Statesman until the vehicle is 6 years old. Mercedes, Jaguar, Daimler or Cadillac vehicles may be operated until they are 15 years old. Rolls Royce, Bentley, or vintage vehicles (defined as over 30 years) are the only exceptions, having no age limits. Other vehicles may be operated at the discretion of the DoT if they are satisfied with the luxury and appearance of the vehicle.

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

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

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

The impact of this on taxis in Sydney would be significant, as 44 per cent of taxi journeys arise from telephone bookings. Taxis and hire cars already compete to a limited extent for telephone bookings. However, the small number of unrestricted hire cars (240) reduces the potential for telephone market competition.

Entry to the hire car industry in South Australia was opened in 1991. The number of registered hire cars increased from 50 in 1991 to 700 in 1997. However, only 200 of these were new operators. The rest were special purpose vehicles previously operating without authority.⁸⁵

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

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

A baseline study by the University of South Australia⁸⁶ in 1996 indicates that deregulation of hire cars has resulted in:

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

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

A follow up study in 1998⁸⁷ finds that passengers rarely wait at ranks, and service in busier times has improved further since 1996. The average number of trips per taxi has fallen and the total level of demand has fallen slightly. Overall, South Australian reforms of the hire car industry have been successful in improving service quality and expanding competition.

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

⁸⁵ Personal communication with the Victorian Passenger Transport Board.

⁸⁶ Transport Systems Centre, University of South Australia, *Adelaide Taxi Industry Baseline Study 1996*, April 1996.

⁸⁷ Transport Systems Centre, University of South Australia, *Adelaide Taxi Industry Study 1998*, report prepared for the Passenger Transport Board, March 1999.

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

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

The Tribunal wishes to foster an active and dynamic hire car industry, but avoid developing a large 'minicab' industry along the lines of that operating in the United Kingdom. However, the option of creating a minicab industry should be reconsidered after 2005 if the taxi industry is not delivering a sufficient level of service to passengers.

The Tribunal believes some form of regulation should be used to differentiate the hire car industry and the taxi industry. The Tribunal seeks comments on the most appropriate mechanism to achieve this differentiation while minimising the restrictions on the vehicles that may be operated as hire cars.

10.4.6 Prohibition on plying for hire

The prohibition on hire cars plying for hire on streets is a fundamental part of the distinction between taxis and hire cars. The Tribunal support retaining this distinction. However, the DoT may wish to consider allowing hire cars to collect passengers from taxi ranks at times of peak demand such as holiday periods and taxi changeover times.

The Tribunal also supports the establishment of hire car desks at the airport, hotels and other locations likely to generate hire car work. Passengers would be able to book a hire car at short notice from these desks, improving their access to hire car services. Combined with sufficient parking capacity, hire car desks would significantly improve the efficiency of operation of the hire car industry.

Recommendation

The Tribunal recommends maintaining the prohibition preventing hire cars from plying for hire through street hails and at ranks, but recommends that Department of Transport consider allowing hire cars to pick up passengers from taxi ranks at periods of peak demand and taxi changeover time. The Department of Transport should facilitate the development of hire car desks at the airport, hotels, and other significant locations.

10.5 Hire cars as a transport option for less mobile passengers

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

This option would necessitate some revisions to the Taxi Transport Subsidy Scheme (TTSS) to allow hire cars to access the voucher scheme. The voucher scheme would need to be amended to include a per kilometre subsidy rate as the current TTSS vouchers cover 50 per cent of the metered taxi fare up to a limit of \$50. There is strong merit in allowing hire cars to assist in servicing this market along with WATs. The DOT needs to evaluate a fair system of charging for TTSS travel using hire cars.

Recommendation

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

APPENDIX A TERMS OF REFERENCE

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

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

In conducting this investigation, the Tribunal should consider:

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

APPENDIX B LIST OF SUBMISSIONS

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

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