



VICTORIAN
TAXI
ASSOCIATION

**RESPONSE OF THE VICTORIAN TAXI ASSOCIATION
TO THE VICTORIAN TAXI INDUSTRY INQUIRY DRAFT
REPORT AND ASSOCIATED RECOMMENDATIONS**

Customers First: Service, Safety, Choice

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Executive Summary

The Victorian Tax Association (VTA) is pleased to provide this response to the Victorian Taxi Industry Inquiry's (VTII) draft report, *Customers First: Service Safety, Choice*.

At the outset the VTA would like to take this opportunity to reaffirm its commitment to meaningful and sensible reform of the Victorian taxi industry - based on improving service delivery outcomes for taxi customers. The VTA has presented the VTII with what it considers the key pillars of reform required to improve service to customers. The pillars can be viewed at www.victaxi.com.au.

The VTA have provided the VTII with numerous submissions outlining its views on specific matters and ideas for improving the industry and the service it provides. The VTA's members and their affiliates, at their own expense, have contributed to the VTII's work and provided the underpinning data that has been relied upon by the VTII. On this basis, it would appear reports by the VTII that the industry did not comply with data and information requests have been exaggerated.

The VTA acknowledge that a large number of the VTII's recommendations are sensible. However, there are a number that will be commented on here that the VTA believe will lead to poor outcomes for both taxi users and the industry. The VTA do not accept that increasing competition across all market sectors will always produce a more desirable outcome for consumers in the taxi market.

Ultimately, effective reforms must relate directly to the problems they are attempting to address. Customers have very little interest in the structure behind a taxi service. They want a clean taxi that takes them safely where they want to go at an appropriate price.

As has been demonstrated in many jurisdictions where open entry licensing models have been adopted, the result is oversupply rather than the emergence of productive competition. In these jurisdictions this has led to lower service standards and higher costs being borne by the consumer. A sharp decline in the productive efficiency of these taxi industries also emerged.

There is no evidence to suggest that unrestricted entry would address the issues affecting Victoria's taxi industry. This is because increased supply will not address the things that are currently not working well.

The issues in Victoria relate to the level of service, not availability, of taxis. In Melbourne, one of the most common complaints, according to the Victorian Taxi Directorate is fare refusal. The VTA questions the ability of increased supply of taxis to address this kind of service delivery issue.

A legitimate concern of the VTA is that unrestricted entry to the industry, when the market is already full will promote a decline in the standard of the service. The regulator will be unable to keep up with the rise in the number of commercial passenger vehicles in operation.

Increasing supply through deregulation of licences would amplify the existing problems with Victoria's taxi service. The only justification for increase in supply should be when demand is not being met across an entire shift (as opposed to only short periods at peak times). With

occupancy rates in Melbourne's taxis of between 25 and 30 per cent per shift this is an unsustainable argument.

The VTA is of the view that the VTII recommendations and the processes suggested are outdated and do not address what appears to be the central problem: service standards, not supply. In the past a sustainable argument for deregulation of licensing could be developed because there wasn't reliable data available to regulators to ensure they could effectively measure demand and release licences in line with that demand when required. This is no longer the case.

This data is now readily available through Primary Network Service Providers (PNSP) and is being used in many Australian jurisdictions to inform sensible decisions regarding supplying the market with additional taxis on an annual basis. The VTA supports this approach to supply because it ensures customer demand is met and the industry remains sustainable. The VTA has also argued a similar process of evidence based decision making should be adopted for fare setting.

Other areas of concern to the VTA include changes the structure of the commercial relationship between operators and drivers; the lack of attention given to improving driver safety; the introduction of new licence zones based on licence values; the introduction of mini cabs; and the removal of mandatory affiliation to PNSPs.

The VTA finds issue with the lack of a clear and central point of contact for customers with concerns. This should be the role of the PNSP, not split between a government regulator and the industry. Combined with mandatory affiliation this is the best way to ensure an appropriate and effective mechanism to guarantee a higher level of service standards.

This VTA response focuses on the areas of the draft report and the recommendations it sees as either particularly problematic or particularly beneficial to the Victorian taxi industry. Neglecting to comment on a specific recommendation should not be read to signify that the VTA is supportive or not supportive of that recommendation. In the short timeframe for a response to the lengthy VTII draft report, the VTA does not have the resources or the time to respond to each and every recommendation in the six week period to the 13 July 2012.

As VTII are aware, the VTA requested the timeframe for submission be extended from six to 12 weeks to give industry participants and community sufficient time to respond to the complex draft report. According to a letter received by the VTA on 27 June 2012, signed by a VTII officer, this request was denied on the grounds that there had been significant consultation in the period leading up to until the release of the draft report. The VTA do not accept the reasoning behind this view and see the six week time frame as completely inadequate within which to respond to a document of this length and complexity.

The VTA will continue to undertake and provide detailed analysis of the draft report and its potential implications for taxi users and the taxi industry. The VTA has engaged the services of leading accountancy firm PWC to provide detailed economic modelling and advice. This information will be provided to the VTII and will be made available on the VTA website. To obtain significant, in depth economic and financial analysis in the six week timeframe provided was not possible.

Finally, the VTA encourages the VTII to take a more open and consensus based approach in developing its final recommendations. The VTII have developed its ideas and presented them to the community and the industry. There is now an opportunity for industry, the community and VTII to work together to refine the recommendations and ensure a workable set of final recommendations are developed, which deliver a high quality taxi industry for Victoria into the future.

The VTA has previously stated that the taxi industry is seeking reform that will ensure fair outcomes for the industry while providing Victorians with the taxi service they deserve. The VTA remains of the view that meaningful reform can be achieved without damaging the lives and businesses of those who have invested in the industry.

1. MORE TAXIS

The VTA notes that the VTII have made three important statements relating to licences since the release of the draft report and its recommendations. These are:

- Licence value will be reset at between \$250,000-\$350,000¹
- 450 addition taxis entering the market in the first few years of a new system²
- Compensation may be payable to affected licence holders³.

All three statements are vital components that may affect the decisions people make and the position they take in relation to the draft recommendations. Making these statements in the media is an inadequate and irresponsible approach to the dissemination of important information.

The VTA urge the VTII to release more information on how they formed these views as soon as possible so industry stakeholders can be properly informed when making decisions and forming their views.

The proposition that Victoria, and Melbourne in particular, needs more taxis is rejected by the VTA. As the draft report demonstrates, occupancy currently sits at around 28 per cent per shift. While industry may be able to do more to increase and un-tap demand, the uncontrolled release of taxi licences will flood a market that is already full.

The VTII has made public statements about the need to radically reform the industry and focused heavily on licensing structures and the impact this has on price and service delivery outcomes. Sections of the draft recommendations focus on this issue. In the view of the VTA and other industry participants, this will erode licence value with little benefit to taxi users.

When the VTA and other industry participants, have raised concerns about the impact on taxi businesses and licence value, the VTII have claimed that industry is simply "scaremongering" and that the impact on licence holders will not be that great⁴.

It seems that the VTII want the industry to believe that those who have invested in a taxi business will not be financially damaged by the draft recommendations; despite comments to the contrary.

Recommendation 1.1, 1.2 and 1.5

Biggar, a participant of the VTII's Independent Economic Roundtable states in his presentation to this forum that:

... the current situation in Victoria is one in which the number of taxis seems broadly appropriate most of the time (waiting times are not unacceptable except at certain times)

¹ Yeates, C, 2012, 'Fels lashes taxi industry for scaremongering', *The Age*, 12 July 2012, viewed 13 July 2012 <<http://www.theage.com.au/victoria/fels-lashes-taxi-industry-for-scaremongering-20120711-21wat.html>>.

² Houston, C, 2012 'Taxi Owners threaten court action', *The Age*, 7 July 2012, viewed 13 July 2012 <<http://www.theage.com.au/victoria/taxi-owners-threaten-court-action-20120707-21nm.html>>

³ Yeates, C, 2012, 'Fels lashes taxi industry for scaremongering', *The Age*, 12 July 2012, viewed 13 July 2012 <<http://www.theage.com.au/victoria/fels-lashes-taxi-industry-for-scaremongering-20120711-21wat.html>>.

⁴ Yeates, C, 2012, 'Fels lashes taxi industry for scaremongering', *The Age*, 12 July 2012, viewed 13 July 2012 <<http://www.theage.com.au/victoria/fels-lashes-taxi-industry-for-scaremongering-20120711-21wat.html>>.

while taxi licences are highly valuable. Therefore the adjustment process required is primarily one of adjusting prices (i.e., tariffs) rather than quantities (taxi numbers)⁵.

The VTA's view is consistent with this approach. By releasing licences in line with demand at a set rate and capping assignments, costs can be controlled and potentially lowered, while the market does not become oversupplied.

Recommendation 1.4 is likely to produce the opposite effect to Biggar's suggestion. Unrestricted entry of both taxis and Pre-Booked Only cabs (PBOs) will lead to increased supply, even if it is at the lower end as predicted by the VTII (approximately 450 vehicles). However taxi fares will not be reduced because the current Victorian metropolitan taxi fare setting model currently contains a component for the cost of around \$20,000 per annum⁶.

In effect, recommendations 1.1 and 1.4 ensure the Government receives the licence rent rather than the private licence holder. There is no reduction in the cost borne by the customer.

The discussion relating to licence holders extracting rent from customers has been a focal point of the VTII's public commentary. Much of it has been misleading, and the VTII have not adequately explained to the community how this situation arose. Prior to the 2008 fare review and adjustment of fares, rent for a licence was not included in the fare model. Before this time the industry had not argued it should be part of the fare model. A purchaser of a taxi licences could expect to make a capital gain over a long period of time and therefore were happy to absorb lower short term returns on their investment.

Little work seems to have been done by the VTII on modelling what the total increase in the number of vehicles will be as a result of the draft recommendations. As stated publically, the VTII have posited the view that it would see an additional 450 vehicles on the road. At the other end of the scale, Rex Deighton-Smith of Jaguar Consulting (also an attendee of the VTII Independent economic Roundtable) suggests *open entry in Melbourne would lead to at least a 150 - 200 per cent increase in numbers*⁷. Neither case is desirable, with occupancy currently at 28 per cent.

As a result of increased supply, occupancy is likely to decrease, particularly in the short term. This means that the cost to the consumer will be increased either indirectly, via industry participants cutting costs to remain viable, or by direct fare increases which will be necessary to offset reduced patronage.

Biggar provides evidence that supports this conclusion, stating:

The experience of those cities that have liberalised both entry and fares is that waiting times have decreased but, despite expectations, fares have not tended to fall. In a few cases fares rose materially⁸.

⁵ Biggar, D 2011, 'Why and how should we regulate taxis?' Prepared for the Victorian Taxi Inquiry Roundtable, 2 September 2011, p. 6.

⁶ Essential Services Commission, Final Report Taxi Fare Review 2007-08, August 2008.

⁷ Deighton-Smith, R Jaguar Consulting, 2011 'Lessons from International Taxi Market Regulatory Systems and Reforms Jaguar Consulting' Presented to the Victorian Taxi Inquiry Roundtable, 2 September 2011, slide 12.

⁸ Biggar, D 2011, 'Why and how should we regulate taxis?' Prepared for the Victorian Taxi Inquiry Roundtable, 2 September 2011, p. 14.

A key point is even if the fare is not liberalised (as per recommendation 13.1) the customer will pay more via indirect costs as businesses look to create savings. This will manifest itself in poorer service delivery outcomes for customers and a less safe taxi service. The regulatory costs of correcting the situation will also increase.

The VTII rely heavily on the concept of latent demand to soak up additional supply. In their view it appears to be the case that more taxis will lead to more taxi patronage.

As Nicholls points out:

When entry has been deregulated the increase in the supply of taxis has far outstripped the increase in demand.

He goes on to say:

... there has also been a significant loss in productive efficiency as a result of increased waiting times for drivers; the study conducted by Europe Economics in the UK indicates that the costs attached to the latter far outweigh the savings associated with the former⁹.

Finally, the VTII itself states on page 438 draft report that:

There is very little analysis and evidence available to help determine the nature and extent of 'missing' and future taxi and hire car markets or latent demand for these services in Victoria.

The VTA is not convinced by the argument of latent demand. Case studies show that despite predictions, latent demand never transforms to genuine demand for taxis services and all too often supply based on this notion leads to a situation of oversupply. The Irish and New Zealand taxi markets are prime examples.

Another matter that is not adequately addressed in the draft report is the impact of increased supply on taxi driver earnings. The VTA have attached work done in response to the Greater Melbourne Taxi Licence Release.

The VTA accept that the work contains analysis looking at the impact on taxi licence value that is not relevant here, but maintains that the work looking at the impact of increasing supply on driver earnings does remain relevant and encourages the VTII to consider the document attached at Appendix 1.

The VTII's draft report also fails to adequately address the non-economic costs of the proposals. For example, there is little discussion about the impact on increased supply on congestion in a number of contexts.

History indicates that there will be significant resultant traffic congestion. This is particularly so in the case of the hail (cruising) market, given the VTII recommendations do not require taxis to be affiliated with a PNSP. Consequently, there could be a significant number of taxis almost entirely dependent on the rank and hail markets. The potential resultant congestion is significant.

There is little doubt that open entry into the Greater Melbourne taxi market has the potential to cause significant congestion problems at specific ranks, at train stations and at the

⁹ Nicholls, D 2012, 'Competition and Regulation Revisited - Current Trends in the Taxi Industry', for the Australian Taxi Industry Association, 23 May 2012, p 4.

Melbourne Airport. This view is based on the New Zealand and Irish experiences of deregulated taxi markets.

The data demonstrates that Victoria does not suffer a shortage of taxis. In fact Melbourne has more taxis per capita than any comparable Australian capital city.

Not only is open entry unnecessary in the current context, because as has been established, there is no shortage, it is no longer the best practice model for addressing issues relating to the supply of taxi services.

As has been demonstrated in other jurisdictions, improved technology and the associated ability to capture accurate data makes it relatively easy to measure demand and therefore respond with a regulated supply of taxi licences in line with that demand. This process can ensure that the negative aspects of entry are not experienced while increased demand is effectively absorbed.

At Appendix 2, the VTA have included the model that is currently used to measure changes in demand for taxi services in the Australian Capital Territory (ACT). New South Wales and South Australia now utilise similar models to the ACT to determine demand in the number of taxis required. These models ensure that demand is met when there are increases but the market is not flooded with unnecessary vehicles. The models are informed by data that is fed to the regulator by each jurisdiction's PNSP equivalents.

In the past when these types of data sources were not readily available it is understandable that open entry was seen as a means to address these issues of supply. However, given the data is available and relatively inexpensive to provide, this is no longer relevant.

The VTA fails to see why the VTII would not accept a system where licence assignments are capped (and indexed) and the market is supplied on an annual basis in an orderly fashion that does not lead to the costly externalities that have been a feature of all markets that have opened supply.

VTA proposal

Release licences on an annual basis (state-wide) in relation to measured movements in demand. Do not move to an unrestricted entry model. New licences released into the market should be non-assignable. Existing assignment arrangements should be capped at a rate fixed by the Taxi Services Commission (TSC) each year. The TSC should be the sole broker of the transfer and assignment of taxi licences - it should be a blind trading scheme.

Recommendation 1.3 and 1.4

There is little economic rationale provided to explain the process behind determining the price settings in recommendation 1.4. The VTA is strongly opposed to taxi zones being determined on the basis of licence value. Outside of Melbourne this makes little sense and ignores the fact that taxi businesses value outside of Melbourne is commonly based on the total value of the business associated with the licence, not the licence in isolation.

The VTA are of the view that licence zones should generally be drawn in accordance with the maps at Appendix 3. Under the VTA's plan there would be three licence zones. Metropolitan (currently the Metropolitan taxi zone), Urban (The new west to east band proposed by the VTA plus Bendigo and Ballarat) and Regional (currently defined as country). At the centre of this model is the concept that licence zones should be determined by the size and need of the communities they serve. The Metropolitan zone and the Urban zone overlap.

In the Regional zone a community's size should be the key determinant in licence zoning as is currently the practice. The retention of this approach, combined with a more responsive licence release system, will ensure a good outcome for Victorian communities.

The VTA's plan removes the outer suburban zone and creates a larger urban zone. This plan would help ensure the resources to service communities on Melbourne's growing fringe and larger centres is retained and strengthened. The excellent service provided by taxi services in Ballarat and Frankston should be rewarded and encouraged.

The zoning system proposed by the VTII will increase licensing costs in some areas because towns with a high business value will be determined to be in a zone with a higher licence cost. This will see a disincentive to put more taxis on the road in these areas and also could see costs increase for the customer. An example of this is the Gippsland town of Garfield, with two taxis; its inclusion in the urban zone under the VTII plan highlights the deficiencies with this approach.

The licence lease should be set and capped at the current market rate of \$2,400 per month in Metropolitan Melbourne and Urban zones. The VTA sees no justification to increase government licence lease costs in the Regional zone from current levels. Regional licence zones should retain their existing structure.

VTA proposal

That Victoria be divided into three distinct licence zones (see Appendix 3).

- **Metropolitan**
- **Urban (currently Outer Suburban and Urban)**
- **Regional (currently Country).**

Regional taxi licences should be issued on the basis of population and demand. Licence price should be set by government (not competitive tender) and issued on the basis of community need. Local Government could have a more defined role in this process. The application and approval process should be expedited.

All stakeholders should be made aware of licence application process to ensure that the needs of local communities are considered and the application process is open to community stakeholders requesting that new licence be issued. There should be no unnecessary barrier (beyond existing fit and proper person checks) to existing or new market entrants applying for a taxi licence in a Regional zone.

2. MORE HIRE CARS - PRE-BOOKED ONLY (PBO) CABS

The VTA are concerned by the proposal to replace existing hire car services in Melbourne with a London style mini-cab arrangement, Pre Booked Only (PBO) services.

Under the VTII's proposal, the current hire car industry would be turned on its head. Licence values would be cut to \$40,000 and the requirement to train drivers removed. The report is silent on what security devices would be required in these vehicles to ensure driver and passenger safety.

The VTA, like the public, believe that improving service standards is an important part of lifting the quality of Victoria's taxi service. On the PBO issue the draft recommendations actually appear to reduce service standards.

The VTA are also concerned that in a relatively small market like Melbourne, when compared to cities like London, there is a high risk that the comparatively low cost of PBOs could see them quickly dominate the market and see traditional on demand taxis forced out due to lower regulated costs rather than the provision of a better service.

While the VTA supports competition, we cannot support quality service providers being pushed out of the market by competitors who are permitted to provide a service at substandard levels.

The VTA firmly opposes any recommendation that lowers standards and increases risk for passengers and drivers.

Recommendation 2.1 and 2.2

The VTA do not oppose recommendation 2.1 or 2.2.

Recommendation 2.3, 2.4 and 2.5

The focus of the VTII was to find ways to improve service standards for taxi users. This proposal, for more PBOs, would be counterproductive if adopted. It appears that the VTII are more interested in increasing supply rather than improving service delivery.

The VTA have genuine concerns about the possible impact of the parts of recommendation 2. These concerns relate to security of passengers and the standards of service they receive. The VTA see the obvious parallel between this recommendation and the unregulated Mini Cabs that dominate London after dark.

London case study, Attachment 1

There is no economic rationale provided for the \$40,000 price to access a PBO licence. This increases the price in regional areas, where the VTII claims "availability" is the issue - effectively increases barriers. The price in metropolitan areas, where concerns with service standards prevail has been decreased and standards relaxed. Most commentators, with the

exception of the VTII, understand that supply is not the issue that needs to be addressed in the metropolitan area.

The VTA is of the view that the current price structure is appropriate and does not restrict supply.

Recommendation 2.6

The VTA do not oppose relaxing the luxury vehicle requirement currently placed on the Hire Car licences. However, standard need to be put in place to ensure vehicles are of a higher standard than simply registered in Victoria. Customers cannot see the vehicle they are booking in a pre-booked market and therefore their ability to make a discerning choice can be comprised.

One option could be to use the standards currently applied in country areas and apply that in the metropolitan area

Recommendation 2.12, 2.13 and 2.14

The VTA strongly support a more orderly process at Melbourne Airport. However, it believes a PBO booking kiosk would attract more cars to an already congested area. There is currently a dedicated space at Melbourne airport Hire Cars. Pre-booked taxis no longer have an allocated space at Melbourne Airport- but as the VTA have argued this must be re-introduced to provide an appropriate level of service to their customers.

Currently, the Victorian Taxi Directorate (VTD) has the power to deal with those who engage in touting and have directed considerable resources to the issue. It is a difficult area to regulate and police and it is not cost effective to direct more resources to the problem. Increasing the supply as per recommendation 2 and its subsequent parts would do will make the situation worse. New Zealand and Irish airports provide strong evidence of this.

It should also be noted that for any of the recommendations to be implemented, the Melbourne Airport would need to agree. It appears that the Melbourne Airport remains reluctant to engage with the taxi industry in a meaningful consultation process. This makes it very difficult to overcome operational issues and provide a better service for customers in the airport precinct, particularly for visitors to Victoria.

The VTA supports recommendation 2.14.

VTA Proposal

The VTA are of the view that some of the regulations applying to Hire Cars or PBOs can be relaxed to reduce cost, particularly in relation to zoning issues and the application for a PBO licence in country areas.

However, this should not be done to the extent that allows this particular service to decline in quality or overrun another market segment on the basis of having lower qualitative standards applied to it.

Further, the VTA are of the view that current price should remain in place and a standard, although reformed, should remain in place. Driver training must also be retained for those driving a metropolitan PBO as is currently the case.

3. ADDITIONAL ZONE CHANGES

Recommendation 3.1

The VTA do not oppose this recommendation. See Appendix 3 and the VTA proposal that overlap areas be created between zones.

Recommendations 3.2 and 3.3 are covered in Appendix 3, the VTA's new taxi zones for Victoria.

4. MORE DIVERSE AND BETTER VEHICLES

The VTA are supportive of most of the recommendations in relation to increasing flexibility and choice regarding taxi vehicles. The VTA agree that regulation of taxi vehicles should be outcome based.

Recommendation 4.6

The VTA support the transmission of taxi data to a central point and believe it is vital to ensure an orderly supply of taxis to meet demand. However, it fails to understand how this can be achieved in places outside of Melbourne, Geelong, Bendigo and Ballarat, with the removal of mandatory affiliation to a PNSP.

Recommendation 4.10

The VTA support the removal of the requirement to paint taxis yellow in Regional and Urban areas. The VTA believe that the yellow colour scheme should be retained in Metropolitan zones as it makes taxis easier to identify in populated and congested areas, assists the visually impaired in finding taxis and has become an iconic symbol of Melbourne.

VTA Proposal

Ensure vehicle standards and regulations are outcome focused and allow flexibility. Retain taxi yellow in Metropolitan and Urban areas and remove the requirement for Regional areas.

Retain mandatory affiliation to PNSPs to ensure data can be supplied to inform policy decisions relating to taxis. The requirement to "live stream data" in regional areas should not be mandated. A reporting requirement should be retained.

5. MORE NETWORKS AND MORE CHOICES FOR TAXI BUSINESSES

There is a gap between the evidence of customer satisfaction regarding taxi booking companies performance and many of the views posited by the VTII.

Customer satisfaction with taxi bookings has continually scored well in customer satisfaction surveys. Over the period January 2006 to January 2011, Greater Melbourne's PNSPs received satisfaction scores above 72 per cent.

The VTA is of the view that the current structure is reflective of a taxi market that relies heavily on booking services. This has meant that the commercial structure of the industry reflects the need to have large fleets of taxis available to service demand.

Recommendation 5.1

The notion that the security and GPS functions offered by a PNSP are redundant or can be provided by an external agency is false and is not supported by any evidence. Allowing security functions to be outsourced will only add another layer of cost to the operator and/or the driver and therefore, ultimately the customer.

Security and safety of drivers and passengers is fundamental to the provision of a good taxi service. The VTA is aware of an increase in assaults on drivers, even after the efforts to make the profession safer through the introduction of security screens, pre-paid taxi fares, cameras and increased emphasis on communication training and conflict avoidance.

Each Department of Transport (DOT) Customer Satisfaction report since 2006 shows customers feel a high degree of personal safety in taxis. This indicator is consistently one of the highest rating satisfaction measures with an average score of 67 per cent over the surveyed period.

In research undertaken by Auspoll on behalf of the VTA, 79 per cent of Victorians believe it's easier to book a taxi with only two main phone numbers¹⁰.

Measures introduced by Melbourne based PNSPs including Taxi Tracker¹¹, are a pivotal reason for this. The VTA would be alarmed by any recommendation that may reduce the travelling public's confidence in the safety of the State's taxi service. Innovation of this type would not be possible without the investment of PNSPs.

5.2 MANDATORY AFFILIATION

Mandatory PNSP affiliation must remain in place. The booking characteristics of Melbourne taxi users, along with safety issues for both passengers and drivers, make it vital in the Victorian context.

PNSPs provide the technological investment necessary to ensure the regulator can access reliable and high quality live data. This data under the VTA's model would help to determine demand for taxi services and ensure important KPIs are met by PNSPs.

¹⁰ Auspoll Research, 14 September 2011

¹¹ Introduced by 13CABS

The VTA and its members are aware that markets change and the taxi industry is not immune to this change. There is no doubt that the industry is undergoing a boom in technology that impacts directly on how a taxi is booked. However, it is still in the preliminary stages of this development and there remains a lot of uncertainty relating to the adequacy of the technology, the implications of its adoption for driver and customer safety and the demographics of those able to access and utilise the technology.

The VTA is of the view that this technology, and the market for it, should be allowed to develop properly before anyone assumes it can do the job of the PNSP - as the VTII appear to assume. It is also important to note that PNSPs continue to adopt this technology to improve their services. Mandatory affiliation will not stop the development of the technology, or customers accessing it. Mandatory affiliation provides a safety net to ensure taxis remain available to those who do not have access to the technology and provide security to both drivers and passengers.

In jurisdictions where there has been complex reform agendas implemented, regulators have found it difficult to manage and maintain service standards in the industry. In New Zealand, mandatory affiliation to taxi companies helped to arrest a total decline in service standards during the transition period after 1989. Longer term, the New Zealand taxi industry via PNSPs, have successfully managed to restore a higher level of community trust in the taxi service.

The VTA recommend reviewing the need for mandatory affiliation in five years. In this timeframe a better picture will have developed in relation to new booking technologies and its adequacy.

Recommendation 5.3

The VTA is not concerned by an attempt to lower regulatory barriers for entry into the PNSP market, but notes that recommendation 5.3 unnecessarily increases the barrier by requiring businesses to have a minimum of 20 affiliated vehicles.

Recommendation 5.4

The VTA support the proposition set out in Recommendation 5.4. However, the current licence conditions do not require that the vehicle is operated under the control of a depot physically located in their specified zone. See licence condition 1.4. There are numerous working examples of PNSP functions being conducted outside of a prescribed licence zone.

Recommendation 5.5

PNSPs currently provide this information.

Recommendation 5.6

The VTA opposes commercially sensitive material being published but does not oppose the publication of information that assists customers make an informed choice.

VTA Proposal

PNSPs should be made responsible for service standards and security within taxis. In order to ensure this mandatory affiliation should be retained. Further, PNSPs should be assisted by appropriate amendment to existing laws and the development of a strong and complementary relationship with the TSC.

Regulatory barriers to becoming a PNSP should not be expanded beyond existing levels.

6. BETTER QUALITY DRIVERS

The VTA shares the view of the VTII that drivers are central to the level of service experienced by the passenger. Further the VTA believe that there are a number of reasons customer service has declined in the industry. These factors include:

- Poor remuneration - a result of inadequate fare setting
- Confusion over rights and obligations in regard to the relationship between the driver and the operator
- Safety concerns
- Bad public image portrayed by media and other commentators
- Substandard infrastructure like that found at ranks and Melbourne Airport
- An inability to attract and retain the right demographic into the business.

While some of these issues are addressed in recommendation 6 and its subsequent parts, the VTA believe some sections go too far and others not far enough.

Recommendation 6.1, 6.2, 6.3, 6.4, 6.5, 6.6 and 6.7

The VTA supports these recommendations.

Recommendation 6.8

The VTA believes that subsidisation of Wheelchair Accessible Taxi (WAT) training should continue, to encourage taxi drivers to undertake the training.

Recommendation 6.9 and 6.10

The VTA supports these recommendations.

Recommendation 6.11

PBO drivers must be required to complete the taxi driver training course in the same manner as a taxi driver.

Recommendation 6.12

The VTA supports developing career paths for taxi drivers. The VTA does not oppose the review and reform of the Bailment Agreement but believes an arrangement of bailment between a driver and an operator should define that commercial relationship.

Recommendation 6.13

The Bailment Agreement should be retained, but the VTA is of the view that all operators and drivers are obligated to sign a written Bailment Agreement. Certain provisions must be mandated within the Bailment Agreement, including a requirement that the driver retains minimum 50 per cent of the take of each shift after costs. Drivers must also be indemnified from liability by the operator.

Recommendation 6.14

The VTA are opposed to a mandated split of 60/40. This would do little to improve driver remuneration and cripple fleet operators. The VTA have attached two spreadsheets at Appendix 4, demonstrating the destructive impact of this scenario on fleet operators. The VTA do not share the view of the VTII that owner drivers are always more desirable. This recommendation is aimed at achieving this outcome artificially. The VTA support a mix of operator structures and believe with the right regulatory reform this can be a positive feature of the industry when different business types and formats are more possible.

When fares were last adjusted in 2008, the Essential Services Commission (ESC) accounted for costs and then added five per cent for profit. In this proposal, a mandated split would see operators instantaneously put into a negative five per cent profit situation. To recover this, standards would be lowered in metropolitan areas. In country areas where the fare would be permitted to be set by the business, fares would increase as the operator would have to make 40 per cent cover what is currently covered by 50 per cent of the revenue.

With appropriate fare setting and a mandated split a fair outcome is possible for both parties at an affordable price to the customer.

The financial implications of a change to the 60/40 split to taxi operators are as follows:

- Currently a taxi earns approximately \$146,000 per year (= \$2,800 per week)
- Average fare = \$23.57
- Assume licence value at \$20,000 per year for five years (recommended by the VTII)
- To earn \$2,800 per week, with average fare of \$23.57, each taxi needs 119 jobs.

Assuming licence value at \$20,000 per year for five years, with a 60/40 split as recommended, and operating costs at current levels, the operator of the taxi would be losing approximately \$175 per week per car. To reach a \$0 situation the operator would need to increase car earnings by \$600 per week.

- At average fare of \$23.57 this represents finding approximately an additional 25 jobs per week
- This represents a required increase in occupancy per car of approx. 21 per cent ($25/119 * 100 = 21$ per cent).

This would see operators at \$0 profit/loss per week per taxi.

Under the VTA model - the driver/operator split mandated at a minimum of 50 per cent and licences would be capped at \$28,000 (indexed) per year or \$2,400 per month (see Appendix 4). There would also be a 12 per cent increase in fares, as the VTA have advocated publically.

This arrangement would earn the taxi approximately \$3,136 per week. This would see the operator profit increase to around \$100 per car per week. It would also see driver earnings lifted by 12 per cent. Leakage to the assignor would not occur because under the VTA proposal licence assignment values are capped and negotiated via a "blind system".

Further, under this argument a large productivity incentive would remain for the operator and driver to lift vehicle earnings via increases in occupancy levels.

The VTII have stated that a 10 per cent increase in fares results in a 7 per cent drop in taxi patronage. The VTA are interested in this view, but have not seen the methods used to determine it. As a result the VTA remain sceptical. In the main all sectors of the economy increase their price with broader movements in inflation. The fare rise advocated by the VTA does not increase fares beyond movements in inflation since 2008 (the last fare rise).

Recommendation 6.15

The VTA support simplified Bailment Agreements with mandated articles in relation to clear designation of responsibility. The VTA is of the view that there should be one written agreement signed by any party entering into an arrangement of Bailment. The VTA do not support a mandated 60/40 split, but rather a mandated minimum 50 per cent of the shift to be retained by the driver after costs.

Recommendation 6.16

The VTA is firmly opposed to recommendation 6.16. If implemented it would see the productivity of a taxi reduced dramatically and force businesses to close unnecessarily.

Recommendation 6.17, 6.18, 6.19, 6.20, 6.21, 6.23 and 6.24

The VTA supports these recommendations.

VTA Proposal

That a single written Bailment Agreement be produced for use in Victoria. This Bailment Agreement should clearly articulate who is responsible for what and that the driver is to retain a minimum 50 per cent of the earnings from each shift after costs.

Officers employed by the TSC should be empowered to fine taxi users who behave in an inappropriate but non-criminal manner toward taxi drivers. This would ensure there were real sanctions for non-criminal behaviour.

Greater resources should be directed to improving taxi infrastructure, similar to the Queen Street Mega Rank. This type of initiative improves services and safety for both taxi users and taxi drivers. From this perspective the VTA supports recommendation 7.6.

The regulator and the industry should continue to work together to help improve the public's perception of taxi drivers.

The VTA model should be adopted where the driver/operator split is mandated at a minimum of 50 per cent and licences capped at \$28,000 per year (indexed) or \$2,400 per month (see Appendix 4). This arrangement should be accompanied by a 12 per cent increase in fares.

This arrangement would see the taxi earn approximately \$3,136 per week. This would then result in an operator profit of around \$100 per car per week. Driver earnings would also be lifted by 12 per cent. Leakage to the assignment would not occur because under the VTA proposal licence assignment values are capped and negotiated via a "blind system".

7. IMPROVED SAFETY FOR CUSTOMERS AND DRIVERS

Driver safety is an issue that needs to be addressed. The VTA are of the view that some recommendations, if accepted, would make the taxi drivers (and taxi customers) less safe. The VTA is concerned by the introduction of PBOs and the lack of driver and customer safety infrastructure required for these vehicles along with the removal of PNSP mandatory affiliation requirements.

Beyond this, the VTA accept that many reactionary and protective measures have been put in place over the last five years to protect drivers. Improving the behaviour of some patrons, particularly at certain times of the day and night, may address some issues.

Recommendation 7.1, 7.2 and 7.3

The VTA supports these recommendations.

Recommendation 7.4

The VTA believes a moratorium should be placed on the roll-out of new safety screens while the VTII's report is being considered.

Recommendation 7.5

The VTA does not support this recommendation and is of the view that existing arrangements should be retained. While it agrees the recommendation is well intentioned there are too many operational and community health complexities in its application. The VTA supports the requirement that all taxis be fitted with restraints to fit approved child restraint devices.

Recommendation 7.6

The VTA supports this recommendation.

VTA Proposal

A community engagement process is developed to build respect for taxi drivers. A well regarded community figure is appointed to lift the profile of the campaign. TSC officers be authorised to deal with taxi customers who behave in an offensive but non-criminal matter. A stronger relationship needs to be developed with Victoria Police and all industry sectors to ensure an appropriate response to criminal actions directed at taxi drivers.

8. EMPOWERING CONSUMERS

The VTA support initiatives to empower consumers and ensure they have avenues for redress should they receive a service with which they are not satisfied.

The VTA are of the view that this responsibility should rest primarily with the industry. Law enforcement should however remain the domain of the TSC and the police where appropriate. The PNSP must report more serious events to the TSC.

PNSPs must be required to report monthly to the TSC on the complaints they have received and how they been dealt with. Non-compliance should be dealt with via a punitive process that ranges from fines to the removal of ability to provide the PNSP service.

The VTA believes that to support this process, mandatory affiliation to PNSPs must be retained.

Recommendation 8.1 and 8.2

The VTA does not oppose these recommendations, as long as privacy and commercial matters are considered and applied appropriately and incorporated in the process design.

Recommendation 8.3 and 8.4

The VTA do not support the regulator in the role as consumer advocate in this manner. Recommendation 8.1 should suffice in relation to their responsibility to the consumer and their choice.

Recommendation 8.5 and 8.6

The VTA supports these recommendations.

VTA Proposal

The VTA supports the direction of the VTII's recommendation in this regard although advises caution against extending the role of the regulator to include customer advocacy.

9. A NEW SYSTEM OF APPROVAL AND RESPONSIBILITY FOR SERVICE

Changing terms

The VTA notes that the VTII recommend changing terms currently used. In particular, changing "licence" to "permit" and "Network Service Provider" to "Authorised Taxi Organisation".

The VTA is not clear if the reason for this change is simply aesthetic or if it brings with it a different set of, for example, legal obligations. The VTA requests that the VTII expand on the points made on page 518 of the draft report.

Increased regulatory intervention by Government agencies and a dilution of the power of the PNSP to enforce service standards and ensure greater continuity of service appears to have failed as strategy to better service taxi customers.

According to a variety of commentators, while this transition has been occurring, there has been a decline in the satisfaction of taxi customers with the taxi service. From this, the VTA concludes that the transfer of enforcement of service standards from the PNSP to the regulator has essentially failed. This failure is directly associated with the shift from the industry being responsible for maintaining and enforcing service standards, to the central regulatory authority.

Industry accreditation was designed to address the level of service received by the customer. Instead there has been a continuing decline in the satisfaction of customers coupled with an increased regulatory compliance cost. The accreditation regime is seen as largely ineffective in dealing with recalcitrant industry participants and has burdened all industry participants with additional costs.

The VTA is of the view that an independent regulator is essential to ensure the law as it applies to the taxi industry is upheld. However, the enforcement of service standards, particularly in relation to bookings, should be returned to the PNSPs. Importantly, and unconditionally, the PNSPs must be equipped with the statutory authority to enforce service standards - a power that has been largely removed by encroaching Government intervention.

The roles and responsibilities of the regulator and the industry must be clearly delineated. To not do this is likely to result in either a culture of blame shifting or drivers being sanctioned by multiple parties for the same offence - neither scenario is desirable.

Recommendation 9.1

The VTA supports a streamlined and outcome focused accreditation process. Before the VTA can comment further more detail is required. The VTA are willing to be engaged in the development of a new accreditation scheme. The VTA do not support the removal of accreditation for licence or permit holders.

Recommendation 9.4

The VTA are of the view that licence or permit holders are required to be accredited.

Recommendation 9.5

The VTA do not support the permit system being recommended. See VTA response to Recommendations 1.0 - 1.6.

Recommendation 9.6

The VTA supports this recommendation.

Recommendation 9.7

The VTA supports this recommendation.

Recommendation 9.8

PNSPs currently provide detailed information to the VTD on a monthly basis. The VTA support a continuation of this approach and believes justification for the information requested should be demonstrated and regulatory impact statements undertaken. The VTA see this information as vital to supplying the information required to inform the proposed licence release model.

Recommendation 9.9

The VTA are not altogether opposed to the implementation of the Guaranteed Service Provision in line with the Australian Consumer Law. The six week time frame the VTII have given for responses to the draft recommendations has not, however, allowed sufficient time to form a complete view.

The VTA remain concerned to ensure that such a move would result in better outcomes for passengers, not simply PNSPs or ATOs being faced with litigation for matters that were beyond their control.

What is or isn't beyond the control of the PNSP is, in part, likely to be determined by the VTII's final recommendations and the Government's response. A part of being responsible for something must be the ability of the party concerned to make and enforce rules.

What must clearly be addressed to ensure good service to customers who chose to book a taxi is an ability for a PNSP to meet the customers bookings - unless there is an extenuating circumstance. As with so many of the alleged service delivery issues currently facing the taxi industry, regulatory intervention while perhaps well intentioned, has helped to create a set of externalities which rather than improving service standards actually diminish them.

The VTA's proposed reforms would involve an attempt to re-shape the regulatory structure and chain of responsibility. It sees the PNSP as the key authority in relation to service standards and required to develop a set of rules which encourage the right behaviour.

There is clear recognition that there is currently an unacceptable scenario whereby accredited taxi cab drivers fail in some cases to complete bookings they have either accepted or are in a position to accept.

This is an unacceptable situation for a service industry to find itself in. Customers of the PNSP should feel confident that if they book a taxi, it will arrive within a specified time. While

high demand times may see longer lead times, all possible must be done to from a regulatory point of view, to ensure the customer does not experience a longer than necessary delay.

The VTA have made it clear that it wants to see a stronger supply chain and chain of responsibility created from the instance where a taxi is booked (through any means) to the dispatch and carriage of the passenger. For this to occur in a meaningful way it must be ensured that those who take a booking have sufficient means to ensure that the bookings are accepted (except in cases where there is sufficient reason to refuse it). To be able to be in a position to do this PNSPs must be able to develop a set of rules that are enforceable.

Page 235 of the draft report states that:

Despite claims by the VTA to the contrary, the power to discipline operators and drivers was not taken away from them. PNSPs continue to have the ability to seek liquidated damages from drivers and operators in relation to poor service performance and to impose penalties where these do not conflict with the general law.

One of the means by which PNSPs could discipline drivers was taken away by actions initiated by the VTD against any depot who was issuing financial penalties up to \$100 to drivers who broke network rules, including rules that tried to ensure higher service standards. See Ballarat and West Suburban cases.

Whether or not this action was in fact legal is not a point the VTA are qualified to comment on. However, the practice was occurring and most agree it was an effective tool to sanction drivers who broke rules. The VTA has stated that any process like this must be conducted in line with general principals of fairness to the accused and the corresponding process of natural justice.

Sanctions for offences committed against a list of Priority Bookings should be higher than the standard list. The list would need to be carefully developed but should include situations and customers in the following groups:

- Passengers with a disability
- Passengers who have booked a taxi more than 24hrs in advance
- Passengers whose travel is urgent, i.e. airport, medical
- Booking associated with a Major Event, i.e. Grand Prix, Cruise Ships

The VTA have never maintained that PNSPs cannot pursue other parties for liquidated damages, but they are unable to impose direct financial sanctions. The VTA have maintained that the tools that are available to PNSPs (liquidated damages and removing vehicles from the network) are not the most efficient or effective.

The VTA continues to maintain that removing a vehicle from the network is not the most effective means of sanction because the driver can continue to work from the street, the operators may be financially penalised for an action that is beyond their control and the penalty is a severe one in terms of financial loss making it hard and costly to apply in the case of less serious breaches of PNSP rules. Further, if every car was removed for every breach it would make it more difficult for PNSPs to provide their service to their customers.

Liquidated damages is a completely inappropriate and ineffective means of enforcing a service standard as the penalties imposed are extremely large and strong economic case has to be made to demonstrate loss.

Without appropriate mechanisms to enforce rules the ability to guarantee the supply chain and ensure responsibility is weakened is made less achievable regardless of what the law states.

While the VTA is unable to give a definitive view of the recommendation 9.9 at this stage, one will be forthcoming in due course. Further, the VTA would happily partake in discussions with the VTII to work through these issues with the aim of having a resolution prior to the release of the final report.

Recommendation 9.10

The VTA supports mandatory affiliation. Having some vehicles affiliated and others not will create uncertainty for customers and make the complaints process ineffective and inefficient from a customer perspective.

Recommendation 9.11

The VTA supports this recommendation.

Recommendation 9.12

The VTA supports this recommendation.

VTA Proposal

The varying roles and responsibilities between the regulator and the industry must be clearly delineated in this respect. The role of the regulator must be to ensure safety and compliance with the law. The role of the PNSP must be to ensure service standards. The VTA support ongoing dialogue with the VTII to further develop this idea. The VTA believe that mandatory affiliation is vital to ensure high service standards are achieved.

10. MORE ACCESSIBLE SERVICES

When additional Wheelchair Accessible Taxi (WAT) licences are to be released it must be on a case by case basis, accompanied by a definitive business case. To be successful, applicants should be required to demonstrate how the granting of the licence will result in better service to the disability sector.

The VTA believes that lifting quotas should be introduced to ensure that the first priority of WATs vehicles is providing service to the disability community and transport isolated. Anecdotal evidence indicates that 20 per cent of WATs undertake 80 per cent of the work required by these groups. If true, this is unacceptable. To offset this and to provide a further incentive for drivers to do this specialty work, the VTA suggests that the lifting fee be increased and the increase retained in full by the driver.

It is noteworthy that PNSPs achieve high satisfaction scores regarding their role in WAT booking services. The average score over the period 2006 - 2011 was 76 per cent. These results have been increasing over time.

Recommendation 10.1, 10.2 and 10.5

The VTA is not necessarily opposed to these recommendations but requires more information about the proposal in order to form a view. It is important that the VTII demonstrates how and why this scheme would work now, when it failed in the past.

Recommendation 10.3 and 10.4

The VTA supports these recommendations.

Recommendation 10.6, 10.7, 10.8, 10.10, 10.11, 10.12 and 10.13

The VTA supports these recommendations.

VTA Proposal

**The first priority of WAT vehicles is the provision of service to the disability sector.
The VTA support the broad approach to this issue by the VTII.**

11. IMPROVED REGULATION AND A MORE EFFECTIVE REGULATOR

An independent regulator is essential to ensure the law as it applies to the taxi industry is upheld. The VTA support the establishment of the TSC and its independence from the DOT.

The VTA also support an accreditation scheme for industry participants but believe the process can be simplified and duplication removed.

The VTA are of the view that the role of the VTD has been difficult given the regulatory structures it works within and the lack of direction provided by the lead agency. The structures, which were imposed on the VTD, tended to be process driven. The VTA is pleased to see that the VTII has recognised this and is keen to develop a more outcome focused taxi regulator.

The VTA would like to take this opportunity to congratulate the VTD on its recent performance. Dramatic improvements have occurred in relation to stakeholder engagement, timeliness of response and outcome focused and responsiveness generally.

The VTA remain of the view that the VTII are either naive or avoiding hard truths about regulatory performance and the creation by lead departments of unsustainable regulatory structures for the Victorian taxi industry. Further, Biggar who has worked closely with the VTII differs in his view on where responsibility for current failings lie, stating that:

"These outcomes are not the fault of bad taxi drivers or greedy licence owners. It is the fault of the system of government regulation of the taxi industry. For too long government intervention has mixed an ounce of good intention with a pound of industry interest to end up with a fish soup of regulation that has prevented rather than encouraged competition"¹².

The VTA reject the assertion that the VTD or any other government agency has been captured by the VTA. On Page 118 of the report it is stated that:

Some comments have been made to the inquiry about 'regulatory capture', with some respondents reporting at least a perception that the VTD is too close to the Victorian Taxi Association (VTA) and considers the VTA's needs and opinions over other industry participants.

The VTA does not accept this statement and notes that the evidence are comments made by an entity with which the VTA has had no recent dealings. The VTA fail to understand what is meant by our "needs" and further, what is unusual about considering ones opinion to be the right one. These comments appear to have no relationship to the criticism of regulatory capture.

The VTA have a sound and appropriate working relationship with the VTD. The VTA meet with VTD staff on a regular basis to discuss regulatory change and other issues that may arise. This does not represent "capture" in any way.

The VTA will continue to seek an appropriate working relationship with the industry's regulator.

¹² Biggar, D 2012 'Taxi failings are driving customers round the bend' The Age, 3 July, viewed 13 July 2012 <<http://www.theage.com.au/opinion/society-and-culture/taxi-failings-are-driving-customers-round-the-bend-20120702-21d7u.html>>.

On page 133 of the report it is stated that,

First, there is no rationale justifying placing the industry association of PNSPs in the privileged position of receiving information on all entry attempts.

This statement is a misrepresentation of how the licence release process works. Along with other designated parties, the VTA is approached by the licensing authority to give a view on the impact of a licensing decisions.

The VTA is not an association that only represents the interests of PNSP's as stated in footnote ... and does not require the VTII to define its role. The VTA is a peak industry body and recognised as such. As the peak industry body, it is concerned for the well being of all industry stakeholders.

Recommendations 11.1 and 11.2

The VTA supports these recommendations.

Recommendation 11.3

A strong knowledge of modern business practice should be added to the list of appropriate qualifications.

Recommendations 11.4, 11.5 and 11.6

The VTA supports these recommendations.

Recommendations 11.7 and 11.8

Before being able to offer an opinion on these recommendations the VTA would require a definition of the 'powers'.

Recommendation 11.9

The VTA supports this recommendation.

Recommendation 11.10

The VTA fails to see how this recommendation could work without mandatory PNSP affiliation. Therefore, PNSP affiliation should remain in place to ensure this and other processes can occur.

Recommendation 11.11, 11.12, 11.13, 11.14, 11.15, 11.16, 11.17, 11.18 and 11.19

The VTA supports these recommendations.

Recommendation 11.20, 11.21 and 11.22

The VTA is concerned that the industry regulator should have adequate funding and resources to allow it to properly fulfil its role.

Recommendation 11.23

Since the release of the draft report the VTII have made it known that they believe 450 additional vehicles will be added to the fleet in the short term. This would result in a budget to complete this list of around \$9M per annum. This list includes running components of the TSC. This seems highly implausible.

VTA Proposal

The VTA encourage the development of sustainable funding for the industry regulator.

12. NEW AND MORE FLEXIBLE TAXI SERVICES

The VTII strongly advocates the use of taxis to do more than service their traditional markets. The VTA accepts that taxis must compete for work to increase occupancy. In other jurisdictions taxi industries have managed to do this more effectively than the Victorian industry. This has been largely because regulatory and cultural hurdles. The VTA appreciate the VTII recommendations that will assist the industry achieve this.

Recommendations 12.1, 12.2, 12.3, 12.4, 12.5 and 12.6

The VTA supports these recommendations.

VTA Proposal

The VTA are of the view that VTII's recommendations in this section should be adopted in their entirety.

13. FARES

The VTA is of the view that a new way of setting taxi fares in Victoria needs to be developed. This involves a new model that is applied in a consistent and fair manner, not just whenever it is politically feasible.

The VTA believe that the best way for fares to be set is by the regulator or the ESC. While price flexibility is attractive for small businesses there are undesirable outcomes for both customers and drivers. In jurisdictions where taxi fare setting has been deregulated, price still doesn't seem to generate strong competition - largely because it is difficult for the customer to identify and compare.

Many components of the fare structure must be investigated and accounted for, including:

- How to measure prices that effect taxi services
- Distance and time rates
- Flag fall rates
- Airport taxes and charges
- Tolls.

While much of the discussion regarding remuneration in taxis focuses on fares, one factor that must be given more prominence is occupancy levels. The higher the occupancy level across a shift the higher the earnings. If occupancy can be increased, fares increases alone need not account for and cover the costs faced by drivers and operators.

Taxi fare adjustments must cease to be viewed as a "pay rise" for drivers or operators. Fare adjustments are a cost recovering process. Pay rises come to drivers and operators who can lift their occupancy. This process and the reason for it appear to be misunderstood by the VTII.

The VTA is also keen to see licence value removed from the fare setting model and note that little has been done to achieve this. In fact, as the VTA have stated elsewhere the current fare setting model allows for a licence payment of \$20,000 per annum. Under the VTII's proposal that cost remains. The only real difference is that the profit is accrued by Government not private licence holders.

Each zone, as set out by the VTA (Metropolitan, Urban and Regional), should have its own fare structure. This fare should be set using the same model but take into account different values for the indexes used to set the fare. For example - average LPG costs are different in each geographic location but the index used to measure the cost and the change from year to year would not.

Recommendation 13.1, 13.2, 13.3 and 13.4

The VTA supports these recommendations.

Recommendation 13.5

The VTA does not support the driver being able to negotiate a price below the maximum fare. This situation leaves drivers at risk when passengers want to negotiate the fare, particularly late at night and when there are multiple passengers on board. The VTA also note that the VTII are not giving drivers the opportunity to use their market power at times of high demand. The VTA is of the view that a driver is no more or less likely to exploit a situation than a passenger.

As a result the VTA are of the view that once a customer enters a taxi there should be no negotiation regarding the fare.

The VTA does however support recommendation 13.4.

Recommendation 13.6 and 13.7

The VTA supports these recommendations.

Recommendation 13.8 and 13.9

The VTA are of the view that taxi fare setting should remain regulated.

Recommendation 13.10

Taxi fare reviews must be undertaken annually in line with public transport reviews. Given that taxis are privately funded, the decision to adjust fares should be made a responsibility of the ESC.

The VTA supports an interim reviews of fares in light of unusual price shifts up or down.

Recommendation 13.11

The VTA support the introduction of dot points one, two and four. However, the VTA is firmly opposed to dot point three. At time of high demand the 50 per cent surcharge rewards drivers for efficiency. Further, with the introduction of greater flexibility as outlined in dot point four passengers will have the opportunity to negotiate a better price.

VTA Proposal

The VTA are of the view that fares should remain set by an independent regulatory body across the State on an annual basis. This process should be depoliticised. Fare adjustments should be based on a model that is developed and can be easily informed using price indexes.

The VTA remain of the firm view that there should be an immediate fare adjustment that represents the gap since the last review in 2008.

More also need to be done to remove the licence lease or assignment from the fare box.

14. REDUCING THE SERVICE FEE FOR ELECTRONIC PAYMENTS

The VTA supports any initiative to reduce cost to the taxi user. However, taxi businesses and taxi service suppliers must remain viable and be able to charge a service fee for the product or service they provide.

END