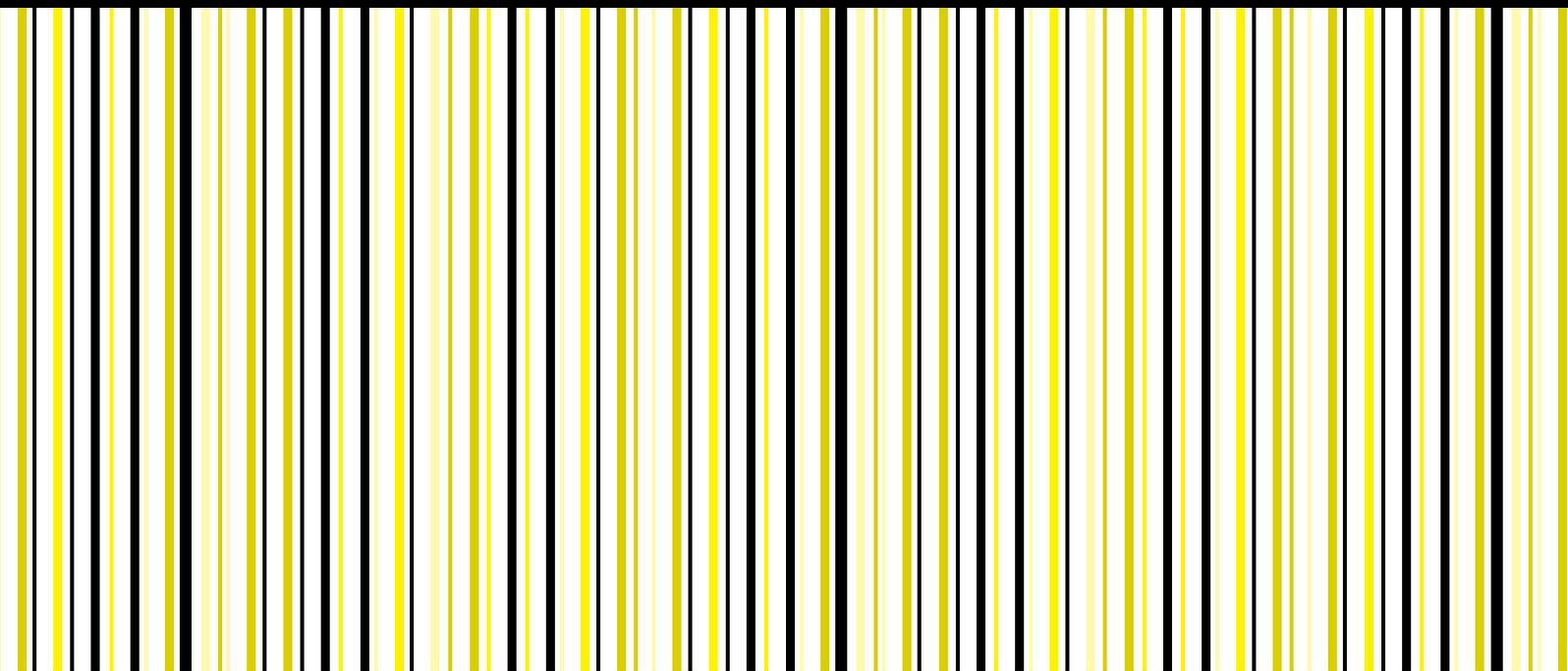




SUMMARY
CUSTOMERS FIRST
SERVICE, SAFETY, CHOICE



taxi INDUSTRY INQUIRY
December 2012

Foreword from Professor Allan Fels

It is 16 months since the Taxi Industry Inquiry commenced its investigations and in that time, we have received more than 1,500 written submissions and heard directly from many hundreds of taxi users, industry participants and community and business groups across Victoria. We have commissioned consumer and economic research, issued several discussion papers and technical reports, and produced an extensive Draft Report *Customers First: Service, Safety, Choice*.

Our Final Report builds on the comprehensive and detailed analysis presented in the Draft Report, discusses further work we have carried out since the release of the Draft Report and sets out the inquiry's final recommendations.

While making some modifications to our draft recommendations, the inquiry has remained firm in our conclusion that the Victorian taxi industry must move away from its current high level of protection and restrictive government regulation to one that embraces competition and self-regulation. This move is essential not only to improve taxi services for consumers, but also to secure the long term future of the industry.

With high levels of customer dissatisfaction and declining consumer demand threatening the industry's future, the time for 'tinkering around the edges' has passed. Deep and sweeping changes are now needed to deliver improvements in service. The inquiry's reforms aim to build a more customer-focused industry in which competition, innovation and flexibility are no longer stifled by ineffective and costly regulation.

Our reforms will not only improve the choice, quality and availability of services for taxi and hire car users; they will also assist the industry to become more accountable for its performance and boost demand for its services. Those in the industry who are willing to explore new service options and adopt more competitive business models will be encouraged to do so. Making it easier to purchase a licence will bring new entrants, modern approaches and fresh ideas into the industry. These reforms will also improve the quality of taxi drivers, increase driver and passenger safety, give taxi operators greater freedom in how they conduct their businesses and considerably reduce the regulatory burden on the industry as a whole.

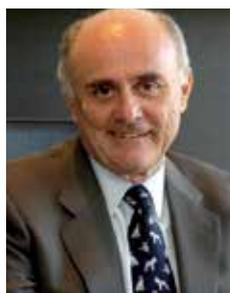
For many years, Victoria's taxi industry has operated as a 'closed shop', with a small number of licence holders protected and benefitting from the effects of no competition at the direct expense of taxi users, operators and drivers (who continue to experience low levels of remuneration, poor working conditions and a highly risky work environment). As licence values have risen, service standards have declined. The inquiry's reforms will change this situation over time by making new licences available at any time to approved applicants for a fixed annual price. The owners of these new licences will not be permitted to assign them to other people. Importantly, by placing a cap on annual licence prices and the assignment fees paid to operate an existing taxi licence, the reforms will bring a halt to ever escalating licence values and ensure that drivers and operators get a fairer share of the revenue.

The inquiry could have gone much further, as we found no public interest grounds for allowing entry restrictions to continue. However, we have not endorsed an immediate move to an open market, recognising that substantial reductions in taxi licence values are likely to cause financial difficulties to some licence holders. It is important to appreciate that in adopting the inquiry's moderate approach, licence holders will continue to enjoy a level of protection that comes at a cost to paying customers and taxi drivers. Melbourne taxi users alone pay around \$120 million each year (through taxi fares) to maintain the value of taxi licence plates. Under the inquiry's proposals, taxi users will continue to underwrite taxi licence values, but to a much lesser extent than currently occurs.

It is also important to recognise that some of the positive results of these reforms may take time to emerge. The inquiry's recommendations will unleash the dynamic forces of competition in an industry that has been largely shielded from these forces for decades. While the reforms would be phased in over three to five years, some volatility can be expected along the way. The Victorian Government needs to hold the course on these reforms and ensure that a competitive market that is responsive to customer needs can emerge over time.

I thank the many people who have made valuable contributions to the work of the inquiry over the past 16 months. This includes industry participants, taxi users, community and business groups, local councils and economists and industry experts. I also thank the Minister for Public Transport, Terry Mulder, and staff of the Victorian Taxi Directorate and the Department of Transport for their cooperation and assistance. Finally, I thank my talented and hard working inquiry team, particularly Commissioner Dr David Cousins and Project Director Ms Megan Bourke-O'Neil, for their support, diligence and commitment over the course of the inquiry.

Announcing this inquiry in 2011, Premier Ted Baillieu stated that he expected the inquiry to address 'longstanding and deep-rooted' issues and to recommend 'sweeping reforms' to the industry that would improve low levels of public confidence, provide better security for drivers and safety for customers, and ensure that drivers are properly trained and knowledgeable. I am confident that our proposed reforms are nation-leading, have more than met the Premier's expectations and will address the serious and systemic problems in the industry identified by the Victorian Government.



Professor Allan Fels AO
Chair, Taxi Industry Inquiry

Allan Fels

The inquiry's vision for the taxi and hire car industry

The inquiry's vision is that, over time, Victoria's taxi and hire car industry evolves to become more open, competitive, diverse and dynamic – offering consumers a wide range of high quality, affordable point-to-point travel choices and making a valuable contribution to the Victorian community and economy.

The inquiry's package of reforms aims to deliver the following outcomes:

For consumers – Better services and a greater choice of services that are safe, reliable and affordable, and that offer a bigger range of travel options and prices

For industry – A more diverse and dynamic industry, a reduction in the regulatory burden and new opportunities to expand into new markets and attract more customers

For taxi operators – More choice of vehicles and in the networks they join, the services and equipment they purchase and the types of service they provide

For drivers – Better remuneration and improved working conditions, greater valuing of driver experience and quality, and more opportunities to start their own taxi business

For government – A more effective industry regulator and better targeted, less complex regulation that protects consumers and improves safety.

Overall, the inquiry's recommendations aim to build an industry that is less constrained by government regulation and that takes greater responsibility for its own performance within a robust culture of self-regulation and accountability. A strong customer focus – including a willingness to embrace competition and to explore better ways of providing services – would ensure that the taxi and hire car industry continues to grow. More services would be available and different types of services would be offered by a range of service providers: from independent individual operators to groups of operators and large and small networks.

The Taxi Industry Inquiry

On 28 March 2011, the Victorian Government announced a major independent inquiry into the Victorian taxi and hire car industry. Professor Allan Fels AO was appointed to Chair the inquiry, assisted by Dr David Cousins AM. The Terms of Reference set by the Government required the inquiry to undertake a comprehensive investigation into all aspects of the taxi and hire car industry and recommend a set of reforms to the Government focused on achieving better outcomes for the travelling public.

The inquiry formally commenced on 12 May 2011 with the release of its official background paper, *Setting the Scene*. The issues considered by the inquiry were complex and involved longstanding problems related to the structure, operation and regulation of the industry. The inquiry thoroughly examined these issues through an investigation that included:

- A comprehensive community engagement strategy designed to ensure that as many Victorians as possible had an opportunity to contribute their views on the future of taxi and hire car services
- Seeking formal submissions from the Victorian community, as well as distributing customer and industry surveys
- Collecting an unprecedented amount of data about the industry and undertaking modelling using this data
- Examining different models and approaches to taxi and hire car regulation in Australia and overseas
- Conducting original research and analysis, and commissioning specialised customer and industry research
- Releasing eight discussion papers and a number of technical reports
- Maintaining active social media platforms and a regularly updated website.

In the first phase of its work, the inquiry received 393 submissions. Following the release of the Draft Report *Customers First: Service, Safety, Choice*, the inquiry received a further 1,370 submissions, from disability, business, tourism, economic and government sectors, as well as many from individuals in the taxi industry.

The inquiry's Draft Report was released for comment on 31 May 2012. Submissions to the report closed on 13 July 2012 and hearings were conducted on 13 and 14 and August 2012.

The inquiry's Final Report was provided to the Government on 28 September 2012.

Snapshot: Victoria's taxi and hire car industry

Victoria's taxi and hire car industry is complex and multilayered, with services delivered through a web of legal, commercial and economic arrangements involving taxi and hire car licence owners, operators, networks, drivers, training organisations, payment system providers and many others. These services operate within a restrictive and prescriptive regulatory framework that has evolved over many years.

Taxis

Services	<p>Each year, Victorians make around 32 to 35 million taxi trips. Two in three Victorians (66 per cent) have used a taxi at least once in the past 12 months.</p> <p>There are around 5,250 taxi licences operating across Victoria, of which 82 per cent operate in Melbourne. There are 699 wheelchair accessible taxis (WATs) operating around the State.</p> <p>Around 30 per cent of all metropolitan taxi trips are booked.</p>
Drivers	<p>There are 15,000 active taxi drivers in Victoria, with 12,000 working in the Melbourne metropolitan area. Turnover of drivers is high: 1,500 to 2,000 new drivers are trained and accredited in Victoria each year.</p> <p>The vast majority of drivers do not own or lease a licence, but are 'bailee' drivers.</p> <p>Most bailee drivers receive 50 per cent of the taxi's revenue. The average hourly rate for a Melbourne-based driver is around \$13.</p>
Operators	<p>There are around 2,560 taxi operators in Victoria. Some operators own the taxi licence, while others have been assigned the right to operate the taxi by the licence holder.</p> <p>While there are a number of large and medium sized fleet operators, the vast majority of Victorian taxis are operated by people who manage only one or two taxis.</p> <p>Operators purchase the taxi vehicle and meet all the costs associated with operating the taxi service (including paying drivers, maintaining the vehicle and paying network affiliation fees).</p>
Licences	<p>There are around 3,550 taxi licence holders.</p> <p>Holders of valuable licences (perpetual and can be assigned or "leased") make a return on their licence by assigning the licence to an operator. Current assignment fees are around \$30,000 per year in Melbourne.</p> <p>Approximately 81 per cent of taxi licences in metropolitan Melbourne that can be assigned (70 per cent of all Melbourne licences) are assigned. This falls to 17 per cent in country areas.</p> <p>The value of these licences in Melbourne has increased by 7.3 per cent per year in real terms since 1980. In 2011, the monthly price averaged \$495,000.</p>
Networks	<p>Each taxi must be affiliated to a taxi booking company or depot, known as a Network Service Provider (NSP). NSPs charge operators annual affiliation fees of between \$7,000 and \$14,000.</p> <p>Two large NSPs dominate the metropolitan Melbourne taxi market: Black Cabs Combined (13CABS) and Silvertop Taxis. Most regional centres and country towns have their own NSPs.</p> <p>Members of secondary networks (less formal taxi networks whose members pass booking amongst themselves) must also have an affiliation with a primary NSP.</p>

Hire cars

Services	<p>There are 2,681 hire car taxi licences operating in Victoria, with most based in Melbourne.</p> <p>The main reasons people use hire cars are for travel to and from the airport and for special occasions (such as weddings and birthdays).</p>
Licences	<p>Hire car licences are available on demand for a set price (\$60,500 in Melbourne and \$20,500 in country Victoria). Licences trade at around these amounts on the secondary market.</p>

Main issues identified by the inquiry

- **Taxi services need to improve** – There is widespread agreement that taxi services need to improve, with concerns raised with the inquiry about the quality, reliability, cost and availability of services. In particular, taxi users feel there is need for significant improvement in the reliability and timeliness of booked services, the quality of drivers and the availability of cabs during peak periods in Melbourne and in outer metropolitan suburbs, large regional cities and small country towns.
- **Taxi services for people with a disability are particularly poor** – Taxi users with a disability experience poor and unreliable taxi services more frequently and with more serious consequences than other users. These users report unacceptably long waiting times for Wheelchair Accessible Taxis (WATs), poorly trained drivers and limited scope in the taxi market to cater for customers' special needs. Many consumers with a disability have lost confidence in the booked taxi system and make private arrangements with trusted drivers and secondary taxi networks.
- **Driver quality has declined** – Driver quality is the main source of customer dissatisfaction with taxi services, particularly in Melbourne. The most common concerns include drivers with inadequate local knowledge, short trip fare refusals, poor personal behaviour (such as drivers being discourteous, unhelpful or rude), unsafe driving practices and dirty cabs.
- **Taxi availability is poor at particular times and in some places** – There is considerable dissatisfaction with the availability of taxi services, especially late at night in the Melbourne CBD (particularly Friday and Saturday nights), during major events in Melbourne and in outer metropolitan and regional areas.
- **Safety is a serious concern** – Taxi drivers continue to experience threats to their personal safety, especially when driving late at night and many believe that drug and alcohol-fuelled behaviour is making their jobs more difficult than ever. Taxi customers are concerned about unsafe driver practices (such as driving while talking on the phone), safety late at night while waiting for cabs at city taxi ranks and when unable to get a cab and public transport has ceased.
- **The taxi fares and the fare structure is not providing value for money** – Overall, the price of taxi services is seen as too high for the quality received and fares are becoming prohibitive for people on low incomes and people with a disability who need to travel long distances to access services. Complaints about the fare structure include that it encourages short trip refusals; does not offer scope for new, more flexible services to emerge; and provides an incentive for drivers to queue for long periods at Melbourne Airport (reducing the availability of taxi services across the rest of the city).
- **Taxi booking services are unsatisfactory** – There is considerable consumer dissatisfaction with the quality, reliability and accountability of network booking services. Concerns include difficulties booking a taxi over the phone during peak times, long wait times in Melbourne and the inability of booking companies to provide basic information to customers, such as where a booked taxi is or when it will arrive. By contrast, there are high levels of satisfaction with the performance of secondary networks.
- **Taxi availability and flexibility in country Victoria is inadequate** – While there is a high level of satisfaction with country taxi services compared with Melbourne, there are concerns about taxi availability in large regional cities, long wait times in some areas, poor integration with public and community transport, and insufficient taxi services at peak times in popular tourist destinations.
- **Longstanding and entrenched problems hinder competition and innovation** – Longstanding aspects of the industry's structure hinder improvements in taxi services. The most notable of these are the restriction on the number of taxi licences (which makes licences very expensive and prevents more people from entering the industry); the ability to assign a licence (which means that many licence owners do not operate or drive a taxi); complex ownership and management structures that restrict competition; limited incentives for taxi operators to develop new services; and the industry's continuing reliance on a pool of temporary, poorly paid drivers.
- **Restrictions on hire cars prevent new services from emerging** – There are high levels of customer satisfaction with hire car services and a growing number of consumers using hire cars due to quality concerns with taxis. However, hire car licence categories and conditions are overly complex and out-dated, act as barriers to more people entering the market and prevent new, more flexible services from developing.

The inquiry's reform package

From the outset, the inquiry's view has been that there is no point in undertaking reform of the taxi and hire car industry if the results do not meet the demands and expectations of the Victorian community. The inquiry proposed a set of reforms that are designed to meet the needs of customers, improve the quality and performance of taxi and hire car services, and build a more diverse and competitive industry. The package will deliver consumer and industry benefits over the short to long term.

Setting a new direction

The inquiry's reform package is built around three core aims.

<p>Increasing and improving the supply of taxis and hire cars</p>	<p>Key reforms</p> <ul style="list-style-type: none"> • Removing the restriction on taxi licence numbers and making all new licences available at any time to approved applicants at a fixed annual price • Making all new taxi licences non-assignable • Lowering the licence price in Melbourne and removing red tape from the hire car market to allow more diverse pre-booked services • Lifting restrictions on the type of vehicles that can be used as taxis and hire cars, and introducing a subsidy to encourage the use of purpose-built taxi vehicles • Removing the requirement for uniform yellow livery outside metropolitan Melbourne and allowing advertising on taxis • Removing the requirement for taxi operators to affiliate with a network and making it easier for new networks to form and enter the market
<p>Restoring consumer trust in the taxi industry</p>	<p>Key reforms</p> <ul style="list-style-type: none"> • Measures to improve the quality of taxi drivers, including an independent Knowledge exam for drivers working in Melbourne and large regional cities, and a new mandatory Driver Agreement to improve driver pay and conditions • Extending the Taxi Rank Safety Program and developing a strategy for reducing the incidence of anti-social and criminal behaviour by passengers • Establishing a Public Register of industry participants • Improving services for people with a disability, including a new centralised booking system and an expansion of the Multi Purpose Taxi Program (MPTP) • Moving to a less 'hands on' regulatory approach that will encourage and facilitate competition, allow networks and operators more flexibility in how they meet regulatory standards and requirements, and give the industry scope to resolve problems as they emerge • Making networks more responsible for customer bookings by applying consumer law obligations to them
<p>Boosting demand and competition in taxi and hire car services</p>	<p>Key reforms</p> <ul style="list-style-type: none"> • Removing unnecessary regulation that hinders the development of new services, such as taxi shuttles, share rides with flat fees and fixed route services • Better integration of taxis and hire cars with public and community transport • Increasing taxi access to bus lanes along freeways and major roads • A two-stage process to move from fare regulation to fare competition in Melbourne and the replacement of fare regulation with fare notification and publication in country areas • A major fare restructure, with changes designed to reduce short trip refusals, remove the incentive for WATs to queue at Melbourne Airport (rather than provide services to wheelchair passengers) and support the industry in offering more flexible and innovative services • Increasing revenue opportunities for operators by allowing them to advertise on or inside their vehicle • Removing the requirement for uniform yellow livery in non-Metropolitan zones

Customers first: better services for taxi users

The inquiry found widespread customer dissatisfaction with taxi services, particularly around the quality of drivers, the reliability and accountability of booking services, the availability of services at peak periods and the ‘value for money’ provided by services. The inquiry’s reforms put customers first and aim to restore trust and confidence in the taxi industry. **If adopted, the reforms would deliver better services, higher quality drivers and a greater choice and range of services.**

What can consumers expect?

Better drivers

Service and safety for customers would improve through the introduction of the Knowledge, a compulsory exam for all new taxi drivers who intend to work in Metropolitan and Outer Suburban Melbourne as well as Geelong, Bendigo and Ballarat.

A mandatory new Driver Agreement would improve drivers’ pay and working conditions, helping the industry to attract and keep good and experienced drivers.

“Consumers have indicated very strongly that their needs are not well-served by the current system. They have much to gain from the inquiry’s reforms in terms of service performance, safety, choice and competition.”*

More information for customers

Customers would be able to make more informed choices about the services they want to use. A new Public Register, published on the Taxi Services Commission (TSC) website, would provide up-to-date information on the industry, including who is responsible for any particular taxi. Information on industry performance would also be published regularly on the website, including wait times and complaints resolution statistics.

In-cab information would be smartphone compatible so that customers can scan decals and stickers that provide information about the taxi or hire car service provider and be immediately downloaded to their portable devices. Taximeters would display all components of the fare, including tolls, and voice transmit them to the customer.

Networks and operators would be responsible for handling complaints, under supervision from the TSC. They would be required to put proper procedures in place to deal with customer complaints and to provide easily accessible information for customers on how to give feedback about services.

More choice

The introduction of new licences for Pre-Booked Only (PBO) cabs (hire cars) would offer customers a greater variety of services at different prices.

A bigger range of taxi vehicles – including purpose-built, universally accessible vehicles such as the London ‘black cab’ and the New York Nissan NV200 – would give customers more choice in the taxi services they use, as well as improving the accessibility, safety and comfort of services.

Removing the requirement for cabs to be painted yellow outside of Melbourne would allow customers to clearly distinguish different networks. In Melbourne, while cabs would remain yellow, networks and operators could opt to distinguish their services through unique dome lights.

Making new taxi licences available at fixed prices means that a wider range of Victorians can choose to buy a licence, enter the taxi market and offer specialised services that cater for particular locations, communities or groups of people.

Fairer fares

In Melbourne and large regional cities, taxi fares would change from being prescribed (fixed amounts) to maximum fares, allowing operators and networks to offer discounted fares to customers. Outside these areas, the TSC would have the power to replace maximum fare regulation with a price notification and publication system, allowing taxi businesses to set their own fare structures as long as they notify the TSC and clearly publish their fares to customers.

Changes would be made to the fare structure in Melbourne to discourage drivers from refusing short trips, reduce incentives for taxis to queue at the airport and support the industry to offer more flexible, share ride services.

The 10 per cent service fee for electronic fare payments would be halved to five per cent, until a further evaluation by the Essential Services Commission.



Better quality, better paid drivers

Satisfaction with taxi drivers in Victoria is low. With poor driver knowledge, customer service and behaviour the subject of most complaints from customers, it is clear that improving driver quality must be a top priority for the taxi industry. The inquiry has found that, while better driver training and testing is important, improving the pay and working conditions of drivers is essential to lift driver quality and ensure the industry attracts and keeps good drivers.

A new Driver Agreement

Taxi drivers have been major losers under the current restricted taxi licensing system and would be better off under the inquiry's reforms. A mandatory Driver Agreement would replace existing unfair bailment arrangements and include minimum terms, conditions and standards set by the Victorian Government that drivers and operators must meet. Drivers would receive a mandated minimum of 55 per cent of the taxi 'fare box' – a split that provides the best balance between improving driver incomes (and attracting drivers to the industry), maintaining the viability of taxi businesses while promoting some new entry to the taxi market.

The ability to pay drivers more is intimately connected to the core licensing reform in the package, and provides a pathway for achieving better quality drivers (and more competition) at no cost to consumers.

Drivers would be allowed to take up to four weeks of unpaid leave where they have worked regularly for 12 months or more for the same taxi operator. Third party property insurance would be compulsory for operators (who would be required to indemnify their drivers for any vehicle damage) and it would be made clear that drivers are covered by accident and workers' compensation, and occupational health and safety laws.

“ *The industry has not implemented effective strategies to build a quality driver workforce. Rather than taking strong action to improve driver pay and conditions and recruit and retain good drivers, the industry has developed an unhealthy reliance on a continual flow of temporary drivers, with little regard shown for the welfare of these drivers or for the customer service implications of such an approach.* ”

Driver training and experience

A compulsory Knowledge exam would be introduced for all new taxi drivers intending to work in Melbourne, Geelong, Bendigo and Ballarat. The exam would be conducted independently of taxi training providers and test proficiency in areas such as local knowledge, customer service skills, English language and disability awareness. The exam would include a combination of online and practical components.

All applicants for taxi and hire car driver accreditation would be required to hold a Victorian Driver Licence (or an equivalent interstate or New Zealand licence) for a minimum of six months before being accredited.

Registered Training Organisations, the TSC and disability groups would work together to improve disability awareness training for drivers. Drivers of WATs would be independently tested in the same way, through the new Knowledge exams. The practice of mentoring new drivers 'on the job', which currently occurs mainly in country Victoria, would be encouraged across the industry.

Driver career structure and remuneration would also be improved by reforms that will make new licences available at affordable prices, giving drivers an opportunity to run their own taxi businesses.

Driver safety

Operators and drivers would have more flexibility in how they achieve important safety outcomes, with their actions closely monitored by the TSC. Proposed measures include:

- Emergency duress alarms would be mandatory in all taxis, with fines for operators found not to have an operational alarm. All operators, regardless of whether or not they are affiliated to a network, would have to ensure their taxis conform to improved safety standards for GPS tracking, safety monitoring and emergency response capability.
- The Taxi Rank Safety Program would be extended for a further four years and more 'safe city' ranks would be established in Melbourne. Best practice statewide guidelines would be adopted for establishing, operating and funding safe taxi ranks.
- Driver protection screens would remain in place, but be reviewed after three years to consider the impact of other reforms proposed by the inquiry. For example, by then the fleet could include more purpose-built taxi vehicles with built-in safety measures such as a separate driver compartment.
- The Government, Victoria Police, the TSC and taxi industry representatives would develop a strategy for reducing the incidence of criminal and anti-social behaviour by taxi customers and community members that affect drivers and their vehicles. This strategy could include increasing penalties for assaults on taxi drivers.



Better taxi services for people with a disability

People with a disability are frequent users of taxis and many rely heavily on taxi services. While there have been improvements in some areas, taxi users with a disability continue to experience poor and unreliable services more frequently and with more serious consequences than other customers. The inquiry's industry-wide reforms to promote competition; encourage the take-up of purpose-built vehicles with greater accessibility; and place more responsibility on the industry for service performance, will greatly benefit taxi users with a disability, but specific actions will be needed to provide a safe, reliable and affordable taxi service for more vulnerable users.

A new Central Booking Service (CBS)

A new Melbourne-based Central Booking Service (CBS) for WATs would address ongoing problems in booking WATs and unacceptably long wait times. The CBS would be independent of taxi networks and operate under contract to the TSC. It would have to meet clear performance targets to reduce waiting times and provide reliable and accurate booking information to customers.

The service would employ staff who are trained in disability awareness and communication, and include people with a disability and service providers from the disability sector in its management structure. It would offer a variety of booking options and be able to retain customer information (such as a preferred driver or vehicle, and special assistance requirements).

It would be mandatory for all Metropolitan-zoned WATs to be affiliated to, and accept bookings from, the CBS. WAT permit holders would still be able to affiliate to another network and do non-WAT work, but would be required to prioritise WAT bookings they receive from the CBS.

The CBS would not only benefit customers; it would also benefit WAT drivers and operators. A reliable, high quality booking service would return confidence to WAT users and increase demand for WATs, generating more work for these vehicles.

“ *The current conditions and structures in the industry do not provide the right incentives for good customer service and people with a disability experience the effects more than most.* ”

Improving the Multi Purpose Taxi Program (MPTP)

While the inquiry was limited in its scope to examine the Multi Purpose Taxi Program (MPTP), it made several recommendations to improve and extend the program by:

- Issuing all MPTP members with a free Public Transport Access Travel Pass, giving them fully subsidised travel on all Melbourne metropolitan trains, trams and buses, regional town buses and other regional transport services as is given to other Victorians with certain mobility issues (such as vision impaired and wheelchair scooter users)
- Expanding the program to people aged 80 and over who have had their driver's licence suspended by VicRoads as a result of a fitness to drive assessment
- Establishing an inter-governmental group to look at ways to improve the program's efficiency, choice, fairness and compatibility with other schemes.

Benefits of industry-wide reform

The inquiry's industry-wide reforms should benefit all taxi users with a disability by:

- Making more taxi licences available for a fixed annual price, including discounted licences for WATs
- Continuing and extending the WAT vehicle subsidy scheme
- Improving driver quality, with drivers being specifically trained and tested in assisting passengers with a disability
- Increasing accountability and responsibility of taxi booking companies, more performance monitoring by the regulator and clearer information for taxi users
- Encouraging purpose-built taxi vehicles and installing 'talking' taximeters
- Discouraging WATs from doing non-wheelchair work, such as airport trips, by changing the fare structure.



More choice in hire cars

Hire cars in Victoria provide a high level of service at the luxury and premium end of the market, with customers having higher levels of satisfaction and fewer problems than taxi users. Consumer research found that there has been significant movement of taxi customers to using hire cars. However, the ability for hire car services to compete with taxis and expand into new markets is hampered by restrictive regulations. The inquiry's reforms aim to create a thriving and growing hire car industry by reducing restrictions on the industry and allowing competition and innovation to flourish.

A new Pre-Booked Only (PBO) licence

A new, simpler licensing system would open up competition in the hire car market, reduce the regulatory burden on the industry and make compliance and enforcement easier for the TSC.

Under the system, a new Pre-Booked Only (PBO) licence would be available for purchase at any time and 'as of right' to approved applicants. PBO vehicles would only be permitted to take pre-booked work in their designated operating zones. Two PBO zones would align with the inquiry's proposed new taxi zones: a Metropolitan zone (that matches the Metropolitan and Urban taxi zones) and a Country zone (covering all other areas). The restrictive 'public interest' test that currently applies to issuing country hire car licences would be removed.

All existing VHA, VHB, VHC and other licences with full operating rights would transfer to the new PBO category.

The new PBO licences would be available at the one-off set price of \$40,000 in the Metropolitan zone and \$20,000 in the Country zone. The licences would be transferable, but not assignable.

The current requirement for hire car licence holders to purchase a vehicle that — at a minimum — meets the luxury vehicle tax threshold would be removed, allowing a much broader range of vehicles to be used as PBO cabs under a new vehicle standard to be set by the TSC.

Other requirements that would apply to the new PBO licence include:

- All PBO drivers would be required to be accredited.
- PBO drivers would not need to complete the taxi driver training course or pass the new taxi Knowledge exam. However, PBO licence holders would have to ensure that their drivers have adequate training and skills.
- PBO vehicles would be identifiable by a specific number plate prefix and a prominent sticker on the windscreen. They would have to provide in-car access to customer information that is compatible with smartphone technology.

Opening up competition in the pre-booked point-to-point market will increase service availability and support the emergence of more diverse services, ranging from the premium, 'high end' market to more affordable and specialised services. This will give consumers a much greater choice in travel options.

Registered Hire (RH) vehicles and Stretched Vehicles

A registration system would apply to two types of hire car vehicles: motorcycles and tricycles, and off-road vehicles. Vehicles that do not fit into one of these two Registered Hire (RH) categories should be required to purchase a full PBO licence, unless they are conducting wedding work or tours. Registration will be available 'as of right' for an upfront payment of \$1,500 and an annual registration fee of \$500 to applicants who satisfy basic entry requirements. Existing RH and Special Purpose Vehicles that fit into these two categories would transfer automatically to the new RH category at no charge.

Vehicles used for weddings and tours would no longer be required to be licensed or registered by the TSC.

Tour locations will be determined by the TSC and vehicles found to be at the airport will need to demonstrate that they are travelling to or from their defined destination or are carrying passengers associated with a wedding party.

A licensing system would apply to Stretched Vehicles on the basis that they have had significant body work, can carry a larger number of passengers, and that licensing would allow the TSC to maintain a level of control over these vehicles for the safety of passengers. The Stretched Vehicle licence would be available for \$15,000 in the Metropolitan zone and \$10,000 outside this zone. This licence would entitle the holder to operate anywhere in their designated zone, except at airports. Stretched vehicles wishing to operate at airports would need a full PBO licence.

A crackdown on touting

The TSC would be given adequate powers to deal with unlicensed operators and other vehicles touting for work. Penalties for touting would be reviewed and increased to ensure they act as a sufficient deterrent.

A new PBO booking kiosk would be established at Melbourne Airport to provide a more orderly system for booking a PBO cab and for picking up and dropping off customers. The TSC would convene a working group to implement the inquiry's recommendations at the airport.

New responsibilities and opportunities for the taxi industry

The inquiry found that the existing regulatory regime governing taxis in Victoria is overly complex and prescriptive, and imposes unnecessary costs on the industry. Rather than creating accountability for the delivery of services, the regime contributes to confusion amongst industry participants, enables responsibilities for service to be avoided and results in poor outcomes for taxi users. Under the inquiry's reforms, the industry would be supported to become more diverse and dynamic, with greater flexibility to deliver results and more opportunities to expand into new markets and attract more customers.

Changing roles and responsibilities

Under a new streamlined regulatory process, taxi networks would become Authorised Taxi Organisations (ATOs) and taxi operators would become 'permit holders'.

At the appropriate time, permit holders would no longer be required to affiliate with an ATO and would be free to join one or more ATOs or operate independently, provided they meet strict service and safety standards. Permit holders would not be able to assign the rights of any new licences that are issued from the TSC, making them directly responsible for the services they provide.

ATOs would be responsible for the services their members provide and would have to publish information about service performance and establish clear avenues for customers to resolve complaints. Minimal entry and approval requirements would be imposed on ATOs, making it easier for new networks to form, enter the market and compete for members.

The new permit system would minimise unnecessary and costly accreditation requirements. It would also clarify that existing licences that can be assigned are held for investment purposes only, not for directly operating a taxi. Over time, the new system would increase the number of owner-operators in the industry, lead to greater competition in the provision of taxi booking services and lower barriers to entry into other markets currently dominated by the large networks.

“ *The inquiry sees the future of the taxi industry as one where the industry resolves problems through constant improvement driven by competition, not by government-imposed regulation, and where new entrants with a fresh outlook help the industry to embrace change, competition and an uncompromised focus on customer service.* ”

More flexibility and lower costs

The inquiry is recommending a move away from restrictive and prescriptive regulation to an 'outcomes-focused' approach. This means that, in many instances, ATOs and permit holders would be able to choose for themselves how to best achieve the standards and outcomes set in regulation. They could 'shop around' for the best prices and services, and determine which options and suppliers suit their particular circumstances.

The changes to taxi licensing mean that permit holders who do not own a licence would experience lower costs from the reduction in assignment prices (although these will be offset by higher driver remuneration). The removal of mandatory affiliation with networks could also significantly reduce costs for permit holders.

Overall, the costs of operating a taxi will be lower and permit holders will have more choice in the networks they join, the services and equipment they purchase, and the types of service they provide. There will be more networks of various sizes that offer permit holders a wider range of services.

New opportunities for taxi businesses

ATOs and permit holders would have more opportunities to move into new markets, expand their businesses and adopt new business models and approaches. They would be able to offer discounted fares, provide share ride and fixed route services, and change to safer and

better purpose-built vehicles. They should have the opportunity to earn additional income from advertising on or inside their taxis and differentiate their services by adopting unique livery (outside of Melbourne) or distinctive dome lights. They could also operate a mix of taxis and PBOs, giving them a range of options, vehicles and services to offer customers.

Reducing the regulatory burden

Under inquiry recommendations, the current industry accreditation scheme would be replaced with a new permit system that reduces the regulatory burden on businesses operating a taxi or PBO service.

Requirements and responsibilities, such as the need for regulated parties to demonstrate business and financial capability, will no longer be matters determined by the TSC. These and other matters will be left to industry to resolve under a simplified, more streamlined legislative framework. Importantly, safety requirements, such as National Police checks, would be retained, but the current cumbersome accreditation scheme would be removed.

In the simplified framework, Permit holders will be accountable for services delivered by taxi and PBOs held against their permit. This includes the conduct of drivers involved in delivering those services.

Licence Holder Accreditation would be removed. Driver accreditation would be retained; however, would be simplified.



Improving services in country Victoria

While the quality of taxi services is appreciably higher in country areas than in Melbourne, there is still scope for significant improvement. The inquiry's reforms will improve service availability and affordability, enable new services to emerge in response to specific country needs, reduce costs for country operators and help to grow regional taxi and hire car markets.

New, more flexible services

Regional and country areas have on average fewer taxis per head of population compared to metropolitan Melbourne, but a higher dependence on taxis, as public transport is inadequate in many places. The inquiry's reforms would create the potential for new and more flexible taxi and hire car services, including:

- More travel options through changes to enable taxis to provide flexible services such as share rides, shuttles, flat fare and fixed route 'bus-like' services
- More taxis and hire cars in country areas by removing the 'public interest' test and making licences available at set prices 'as of right' to approved applicants
- More choice of services through a new PBO licence that will enable businesses to operate a mix of taxi and hire car services, increasing the range of services they can offer customers and communities.

Filling service gaps

Taxis and PBOs have the potential to fill gaps in public transport services in country Victoria, helping to reduce social exclusion and isolation and providing support for an ageing regional population. Under the inquiry's proposals, taxis would be considered as a complement or alternative to community and public transport where they are more commercially viable or more economical and/or efficient than buses.

Tender processes and procurement policies would be reviewed to ensure that taxis and PBOs can compete for government contract work in areas where a public transport service is required.

It is clear that the biggest losers from maintaining a highly regulated taxi market in country areas are customers, who are faced with limited service choices, poor taxi availability in small country towns and some regional centres, highly regulated fares and inflexible point-to-point transport options.

General reforms and country-specific reforms to benefit country taxi businesses

The inquiry's general reforms to be applied statewide, combined with country-specific measures, will reduce costs for country taxi networks and operators, as well as opening up opportunities for business expansion, by:

- Reducing red tape through a new streamlined regulatory process
- Enabling businesses to earn additional revenue through advertising on their vehicles
- Removing the 'continuous operation' requirement for new licences, allowing businesses to set hours that better match local community needs
- Removing the requirement for cabs to be painted yellow, giving country and regional operators the ability to distinguish and 'brand' their services
- Expanding the MPTP to older people who are no longer able to drive
- Allowing better and safer vehicles to be used as taxis, including purpose-built vehicles.

The Taxi Services Commission would also have the power to allow country networks and operators to determine their own fares (subject to a requirement to notify the TSC and customers of their fare structures). This would enable businesses to tailor their services and prices to their running costs. It would also enable them to offer discounted fares, flat fares and fares for specific services, such as town-to-town shuttles, fixed route services, services provided for major events and other 'specialised' services.



Changing taxi licensing

Removing the restrictions on taxi licence numbers (while retaining core requirements regarding driver quality, vehicle safety and other essential matters) will lead, over time, to more affordable services, higher driver quality, better taxi availability and improved service standards, while also increasing demand for taxi services and generating new jobs in the industry.

The inquiry is not recommending ‘free’ or ‘open’ entry to the Victorian taxi market, but a more moderate and gradual path to reform – one that would still deliver significant benefits to customers while avoiding major industry disruption.

New ‘as of right’ licences

Under the inquiry’s reforms, the restriction on taxi licences would be changed from one based on numbers to one based on price. There would be no limit on the number of new licences issued and no restrictive ‘public interest’ test applied.

All new taxi licences in Victoria would be available at any time ‘as of right’ to approved applicants at a fixed annual price. Prices would be set according to the zone in which the licence is authorised to operate. The licence price would be fixed (not indexed), meaning that the value of these new licences would fall in real terms over time, further reducing the costs of operating a taxi business.

All new licences would be transferable, but not assignable (the right to operate the taxi vehicle could not be given to another person). These licences would not be subject to the current ‘continuous operation’ requirement (as is also proposed for existing licences), allowing them to determine their own hours of operation.

All existing licences could continue to be bought and sold and, where applicable, assigned to taxi operators.

“Licensing reform is fundamental to changing and improving the taxi industry: it will enable new entry (at manageable levels), encourage more owner-drivers, boost competition and innovation, and lead to cheaper assignments (reducing operator costs and providing scope for improving services and increasing driver pay). Without licensing reform, the industry will continue to stagnate and service standards will continue to decline.”

New zones and prices

New and existing licences would be authorised to operate in a four tier system of taxi zones, with annual prices for new licences set for each zone.

Zone 1: Metropolitan	Zone 2: Urban	Zone 3: Regional	Zone 4: Country
Metropolitan Melbourne (largely consistent with the Melbourne Urban Growth Boundary)	This zone should include the current Outer Suburban zone (Frankston and Dandenong), the Mornington Peninsula, other zones adjacent to the Metropolitan zone and the regional cities of Ballarat, Bendigo and Geelong	This zone should comprise service areas of populations sizes around 10,000–20,000 such as the Latrobe Valley, Shepparton, Swan Hill, Echuca, Horsham, Colac, Ocean Grove and Warragul	This zone should comprise all other part of the State not covered by Zones 1, 2 and 3
Conventional: \$20,000 per year WAT vehicles: \$16,400 per year	Conventional: \$16,000 per year WAT vehicles: \$12,400 per year	Conventional and WAT vehicles: \$10,000 per year	Conventional and WAT vehicles: \$3,000 per year



The impact of licensing reforms

The inquiry's licensing reforms would affect individuals and businesses in the taxi industry in differing ways and to varying degrees. Most industry participants would face some adjustment to changed circumstances. In some cases, this adjustment would present new business opportunities and be seen as positive; in other cases, it would present difficulties.

The reforms have been carefully designed to strike a balance between the price of new licences, current assignment fees and the costs to operators of paying drivers more (at no cost to consumers).

The main impacts of the reforms include:

- The value of existing transferable and assignable licences would be likely to fall. However, these licences would still attract an income stream of around \$20,000 per year (in Melbourne).
- The total financial return on taxi licences will be reduced. However, long-term licence holders will still earn a reasonable return. The most substantial financial impact would be felt by licence owners who acquired their licences after 2006. While the inquiry has found no legal, economic or policy grounds for compensating licence holders, it has suggested that the Victorian Government consider providing tightly targeted assistance to licence holders who suffer significant financial difficulties as a consequence of the reforms.
- While new entry is expected to be relatively modest in the short term, this will still deliver immediate benefits to customers in terms of greater service availability.
- Over time, a competitive taxi market would determine the level of new entry that is viable and sustainable, based on consumer demand and preferences. Decisions about entering the market would be left not to the Government, but to those who are best placed to make a commercial judgement about whether they can operate a profitable taxi business.

While acknowledging there could be a difficult initial period of adjustment as a result of the reforms, the inquiry considered that the situation cannot be allowed to continue where much of the revenue generated from customers flows to licence holders rather than to those responsible for providing services 'on the ground': drivers and operators. Prolonging this situation and failing to undertake major reform would not be in the best interests of consumers, the broader Victorian community or the taxi industry itself. It would also fail to fix the many longstanding problems identified by the Victorian Government when it set up the inquiry.

A moderate path to reform

The inquiry found that the current structure of the industry protects and benefits a relatively small number of licence holders from the effects of competition at the direct expense of consumers, taxi operators and taxi drivers.

The inquiry could identify **no strong public interest grounds for continuing to restrict entry to the taxi market**. Rather, the inquiry found that these restrictions are detrimental to competition and innovation, and make it very difficult for a wider range of people to operate taxi businesses, and leave little money left to pay drivers who are among the lowest paid occupations in the country. In addition, the holders of these restricted licences are able to capture a substantial share of industry income without re-investing their rewards back into the industry. This has a direct impact on consumers by driving up fares.

The inquiry considered going further in its approach to removing the restrictions on taxi licence numbers and proposing an open entry model. However, the inquiry chose not to do this and instead proposed a much more moderate set of reforms, acknowledging that full open entry would reduce taxi licence values to close to zero and cause significant financial difficulties for some licence holders.

It is important to understand that adopting this moderate approach maintains a level of protection for licence holders at the cost of providing greater scope for the industry to pay drivers more and improve services. This trade-off between licence values and broader consumer and community benefits means that Victorians will continue to pay a premium for taxi services. Melbourne taxi users alone pay around \$120 million each year to maintain the value of taxi licence plates. Under the inquiry's reforms, Victoria's taxi users will continue to underwrite taxi licence values, but to a much lesser extent than at present. This still represents a substantial cost to consumers and should be seen as a form of assistance to all licence holders.



ISBN 0-7311-8796-2

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