



**Department of Infrastructure, Energy
and Resources**

**Review of taxi licence release
arrangements**

June 2013

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Contents

1	Background	9
1.1	Introduction	9
1.2	Scope	9
1.2.1	Core scope	9
1.2.2	Considerations relevant to the review	10
1.3	Approach	11
1.4	Structure of report	11
2	Executive summary	13
2.1	Industry overview	13
2.2	Current licence release arrangements	13
2.3	Summary assessment in respect to the core Terms of Reference	14
2.4	Summary assessment of performance against the policy objectives	14
2.5	Future directions	16
2.6	Other considerations	17
2.7	Other observations	18
3	The taxi industry in Tasmania	20
3.1	Industry structure	20
3.2	Scale and scope of operations	21
3.3	Industry structure in the major urban centres	23
3.3.1	Hobart	23
3.3.2	Launceston/ Perth	24
3.3.3	Burnie	24
3.3.4	Devonport	25
3.4	Summary	25
4	Current licence release arrangements	26
4.1	Policy objectives	26
4.1.1	Owner-operator/standard taxi licences	26
4.1.2	Wheelchair accessible taxi licences	26
4.2	Outline of licence release arrangements	27
4.2.1	Perpetual taxi licence	27
4.2.2	Owner Operator Taxi licence	27
4.2.3	Wheelchair Accessible Taxi licence	27
4.2.4	Temporary taxi licences	28
4.3	Summary	28
5	Availability, reliability and quality of taxi services	30
5.1	Matters emerging from analysis of relevant data	30
5.2	Matters raised in consultations	31
5.3	Assessment	33
DIER13-Review of taxi licence release -FINAL.docx - 11 June 2013		ii

6	Taxi driver and operator viability	35
6.1	Matters emerging from analysis of relevant data	35
6.1.1	Impact of the current licence release arrangements	35
6.1.2	Impact of competition within the taxi industry and between taxis	37
6.1.3	Impact of external market factors	39
6.2	Matters raised in consultations	40
6.2.1	Impact of the current licence release arrangements	40
6.2.2	Impact of competition within the taxi industry and between taxis	42
6.2.3	Impact of external market factors	43
6.3	Assessment	44
7	Wheelchair accessible taxi services	47
7.1	Matters emerging from analysis of relevant data	47
7.1.1	Relevant data analysis	47
7.1.2	Relevant matters raised in other jurisdictions	49
7.2	Matters raised in consultations	50
7.3	Assessment	51
8	Achievement of policy aims	53
8.1	Owner-operator/standard taxi (OOTL) licences	53
8.1.1	Objective #1: Greater opportunities to become established in the industry	53
8.1.2	Objective #2: Improved returns to the licence holder	53
8.1.3	Objective #3: Opportunity to access a new taxi licence	54
8.2	Wheelchair accessible taxi (WAT) licences	55
8.2.1	Objective #1: Release of additional WAT licences	55
8.2.2	Objective #2: Compliance with the DDA 1992	56
8.2.3	Objective #3: Expand the WAT fleet to regional areas of Tasmania	56
8.2.4	Objective #4: Replace WAT vehicles with substitutes as required	57
8.3	Assessment	57
9	Conceptual regulatory models	58
9.1	Spectrum of alternative approaches	58
9.1.1	Option 1: Closed or restricted entry	58
9.1.2	Option 2: Open entry	59
9.2	Trends and key lessons	60
9.3	Other 'Hybrid' models	60
9.4	Assessment and implications for the taxi industry in Tasmania	61
10	Identification and evaluation of alternatives for OOTLs	63
10.1	Alternatives identified from review of other jurisdictions	63
10.1.1	Comparison of licence release arrangements	63
10.2	Alternatives and related matters raised in consultations	64
10.3	Consideration of the policy choices	65

10.3.1	Licence availability	65
10.3.2	Reserve price	66
10.3.3	Number of licences to be released	67
10.3.4	Timing of licence payments	69
10.4	Options for licence release arrangements	69
10.5	Performance of the proposed alternative against policy objectives	70
10.6	Summary	71
11	Identification and evaluation of alternatives for WATs	73
11.1	Alternative release arrangements adopted in other jurisdiction	73
11.1.1	Victorian reforms	73
11.2	Alternatives and related matters raised in consultations	74
11.3	Consideration of policy choices	75
11.3.1	Target quotas for WAT drivers	75
11.3.2	The booking system for WATs	76
11.3.3	Revisit the existing policy levers	77
11.3.4	Consider other incentives for operators/ drivers	77
11.4	Options for WAT licence release arrangements	78
11.5	Performance of the proposed alternative against policy objectives	78
11.6	Summary	80
12	Other considerations	81
12.1	Performance measures	81
12.1.1	Matters raised in consultation	81
12.1.2	Assessment	82
12.2	Operational implications arising from the increase in taxi numbers	83
12.2.1	Matters raised in consultation	83
12.2.2	Assessment	83
12.3	The case for converting Perpetual Taxi Licences	84
12.3.1	Matters raised in consultation	84
12.3.2	Assessment	84
12.4	Government resourcing considerations	85
12.4.1	Matters raised in consultation	85
12.4.2	Assessment	85
12.5	Consideration of strategies to improve taxi driver income	86
12.5.1	Matters raised in consultation	86
12.5.2	Assessment	86
12.6	Options/ changes to taxi areas outside Hobart, if appropriate	87
12.6.1	Matters raised in consultation	87
12.6.2	Assessment	88
13	Other industry specific matters	89
13.1	Taxi industry structure, organisation and leadership	89
13.2	Complaints mechanisms	89

14	Future directions	91
14.1	Summary of the current situation	91
14.2	Summary of future directions	92
A	Taxi area maps	94
A.1	Tasmanian taxi areas	94
B	Analysis of licence numbers in major taxi areas	95
B.1	Hobart taxi area	95
B.2	Launceston taxi area	98
B.3	Burnie taxi area	100
B.4	Devonport taxi area	101
C	Stakeholders consulted	102
D	Structured questions used in consultation	106
E	Taxi vehicle travel data analysis	108
E.1	State wide taxi services	108
E.2	Hobart taxi area	109
E.3	Launceston taxi area	113
E.4	Devonport, Burnie and Ulverstone taxi areas	114
F	Competitive forces	116
F.1	Competition from Metro	116
G	External market forces	117
G.1	Visitor numbers and convention/ seminar delegates	117
G.2	Air passenger and air traffic movements	119
G.3	Local economic indicators	121
H	Case studies of alternative regulatory models	123
H.1	Northern Territory – Deregulation	123
H.2	New Zealand’s experience	123
H.3	Deregulation in Ireland	124
H.4	Singapore’s regulatory regime	124
H.5	London’s quality controls	125
I	Trends and key lessons from the Fels Inquiry	127
I.1	Trend to freer entry model	127
I.2	Broader reform program	127
I.3	Impacts on taxi numbers	128
I.4	Pace of reform	128



I.5	Regulation of service quality	129
J	Performance measures	131

List of Figures, Tables and Charts

Figures

Figure 1: Overview of the taxi industry in Tasmania	20
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Tables

Table 1: Taxi statistics Tasmania as at 30 September 2012	21
Table 2: Hobart taxi area allocation of licences	24
Table 3: Advantages of open entry to the taxi industry	59
Table 4: Conceptual regulatory options	60

Charts

Chart 1: Change in the number of taxi licences since 2004	23
Chart 2: Percentage of defected taxis at random inspections	30
Chart 3: Resident population per licence	36
Chart 4: WATs and OOTLs as a percentage of the total taxi fleet	38
Chart 5: Transport Access Scheme claims	47
Chart 6: Wheelchair trips using WATs	48
Chart 7: Wheelchair trips as percentage of total trips for WATs	49
Chart 8: Time between issue of operator accreditation and issue of an OOTL	55

Abbreviations and terms

CBD: Central Business District

CBS: Centralised Booking System

CTST: Community Transport Services Tasmania

DDA: Commonwealth Disability Discrimination Act 1992

DIER: Department of Infrastructure, Energy and Resources or the Department

HACC: Home and Community Care

OOTL: Owner Operator Taxi Licence

OTTER: Office of the Tasmanian Economic Regulator

PTL: Perpetual taxi Licence

SPC: Special Purpose Cab

TAS: Transport Access Scheme

Taxi Act 2008: Taxi and Luxury Hire Car Industries Act 2008

TTL: Temporary Taxi Licence

WAT: Wheelchair Accessible Taxi

1 Background

1.1 Introduction

The Department has engaged KPMG to undertake a review of the licence release arrangement that have been in place since the Taxi and Luxury Hire Car Act 2008 came into force. That legislation was brought in to reform the arrangements that were in place prior to 2008, with a view to meeting a range of policy objectives.

Foremost amongst these was a desire to provide greater opportunities for taxi operators and drivers (existing and new) to become established in the taxi industry as taxi licence holders. Furthermore, from 2008, PTLs were no longer able to be bought from the Government, bringing to an end the opportunity for new PTL plates to be purchased by investors with no interest in actually operating a taxi business. The existing number of PTLs may now only be traded on the open market and new operators may enter into lease arrangements with existing PTL holders.

Since that Act was enabled, the taxi industry has raised a range of issues with the Department that centre around the challenging operating environment for taxis. The taxi industry points to the new licence release arrangements as having contributed to the declining profitability of the taxis, which has had a consequential impact on the taxi driver income, which is generally set at the industry norm of 50% of the fare.

This has given rise to anecdotal claims by the taxi industry of drivers working very long hours for hourly rates of pay that are not sustainable. This is not necessarily a new situation for the taxi industry, as the licence buy-back scheme was instigated in the mid-1980s with the support of the taxi industry for similar reasons.

Since the Taxi Act 2008 has now been in operation for a number of years, DIER has undertaken to commission a review of the current licence release arrangements. This has been established with a Terms of Reference that has been the product of extensive consultation between the Department and key stakeholders in the taxi industry and other affected major users of the taxi industry.

1.2 Scope

KPMG, in consultation with the Department reviewed the Terms of Reference to refine and clarify the scope to sharpen the focus on those matters that were *core to the review* and those other matters that are *considerations relevant to the review*.

1.2.1 Core scope

1. Undertake critical analysis of the current arrangements for the release of new taxi licences in Tasmania to evaluate the impact of these arrangements on:

- 1.1. Availability, reliability and quality of taxi services
- 1.2. Taxi driver and operator viability
- 1.3. Competition within the taxi industry and between taxis and other forms of passenger transport

- 1.4. The relative success of the licensing arrangements introduced by the *Taxi and Luxury Hire Car Industries Act 2008* in achieving the policy aims of that legislation in respect to owner-operator/standard taxi licences and wheelchair accessible taxi licences.
- 2. Identify alternative licence release arrangements that are likely to improve policy outcomes and make recommendations as to any reforms that should be considered by DIER.**
 - 2.1. Provide detailed comments on issues in respect to the alternatives that are examined
 - 2.2. Assess the degree to which any potential alternatives will align with the overall policy objectives of the existing legislation
- 3. With specific reference to the consequences for taxi driver income of the present legislative arrangements, the Consultant is to recommend any appropriate strategies in the case of both:**
 - 3.1. (i) a recommendation to make significant changes to the current licence release system; and (ii) a recommendation to leave the current licence release system largely intact.
 - 3.2. examine of the causal link between taxi driver income and taxi licence numbers, together with the influence of external factors on incomes (in particular since 2007).
- 4 Consider whether limitations on demand for WAT services, or other institutional factors, are creating a legitimate barrier to some WAT operators undertaking a significant amount of such work and consider changes to regulatory arrangements for WAT operators that would**
 - improve WAT performance in respect to WAT operators and radio networks according appropriate priority to wheelchair-reliant customers; and
 - assist radio networks in meeting the response time performance standards in place under the Disability Standards for Accessible Public Transport 2002 (Cth).

1.2.2 Considerations relevant to the review

- 1 Consider the performance measures for standard taxis and WATs – what, if any, measures should be established and periodically collected that are capable of being audited
- 2 Consider any practical and/or operational implications of the increase in the number of taxis operating, including such matters as the distribution and capacity of taxi ranks and traffic congestion and/or other negative outcomes at specific locations (e.g. airports)
- 3 Consider the case for existing PTLs to be converted to OOTLs/WATs over time, plus (if justified) examine possible methods for doing so
- 4 Consider the implications of alternatives in terms of Government resources, for example in respect to ongoing administrative processes
- 5 Consider options/ changes that are specific to individual taxi areas or groupings of taxi areas outside the Hobart area, if appropriate.

1.3 Approach

In order to undertake this review within the scope and budget available, KPMG has a five phase process.

Phase 1: Project initiation - involved meetings with Department to confirm and refine scope, establish a strategy for communication and consultation and agree on a timeframe for the review

Phase 2: Desktop analysis - involved the collection and analysis of data from a number of sources including the taxi industry, other jurisdictions and general data relating to the performance of the Tasmanian economy

Phase 3: Consultation - comprised a series of structured meetings and public forums with a range of taxi industry representatives and external stakeholders. Six public forums were held in Ulverstone, Launceston and Hobart. In all, the review has spoken with 63 stakeholders, as listed in [Appendix C](#). Further data was also collected as part of this phase as required to support some of the perspectives being shared.

Phase 4: Analysis – involved a period of reflection and processing of the quantitative and qualitative data, to endeavour to draw out key themes, analyse the current licence release arrangements against the objectives and consider and evaluate alternatives.

Phase 5: Reporting – required the assembling of the key outcomes of the preceding phases into a draft report for consideration by the Department. This draft was reviewed to address factual inaccuracies and ensure the Department’s perspectives were also given appropriate consideration. A final report was then issued.

1.4 Structure of report

This report is structured to broadly align with the Terms of Reference.

Section 2 presents the Executive Summary.

Sections 3 and 4 provide an overview of the taxi industry in Tasmania and the current licence release arrangements.

Section 5 responds to core Term of Reference #1.1, examining availability, reliability and quality of taxi services.

Section 6 responds to core Terms of Reference #1.2, examining the impact of the current licence release arrangements on taxi driver and operator viability. Since the question of viability is also influenced by completion to taxis and external market factors, this section also addresses core Term of Reference #1.3 (competition between taxis and other forms of passenger transport) and core Terms of Reference #3 (taxi driver income and external market factors).

Section 7 address core Term of Reference #4, considering issues associated with WAT taxis.

Section 8 evaluates the relative success of the licensing arrangements introduced by the *Taxi and Luxury Hire Car Industries Act 2008* in achieving the policy aims of that legislation in respect to *owner-operator/standard taxi licences* and *wheelchair accessible taxi licences*.

Section 9 looks at conceptual regulatory models, drawing mainly on emerging findings from taxi industry reviews in other jurisdictions, including the most recent reviews in NSW and Victoria.

Section 10 identifies and evaluates alternative licence release arrangements for OOTLs, including an evaluation of the current and proposed models against the policy objectives.

Section 11 identifies and evaluates alternative licence release arrangements for WATs, including an evaluation of the current and proposed models against the policy objectives.

Section 12 addresses a number of the other considerations relevant to the core scope that have not previously been addressed elsewhere in the report, these being:

- Possible use of performance measures to assist with future monitoring and evaluation of the taxi industry
- Operation issues arising from the increase in taxi numbers
- The case for converting PTLs to OOTLs over time
- The implications of the proposed reforms on the Tasmanian Government
- Measures to address taxi driver income, in the absence of significant reform, and
- Options for change outside the Hobart taxi area, if appropriate.

Section 13 reports on a number of other industry specific matters that have been brought to the attention of the review. These are not necessarily within the Terms of Reference, but point to other issues within the taxi industry that need further consideration.

Section 14 draws together the major findings and conclusions from the previous chapters to provide overall recommended future directions for the taxi licence release arrangements.

2 Executive summary

2.1 Industry overview

The taxi industry is a relatively complex web of inter-relationships between PTL plate holders, OOTL licence holders, WAT licence holders, networks, drivers and the Government, that collectively work to provide taxi services to the general public.

There are currently 564 taxi licences allocated across the 24 taxi areas in Tasmania - 448 PTLs, 63 WATs and 53 OOTLs - with 77.4% of the total number of licences held in the Hobart and Launceston regions.

Since 2004, the 63 WATs and 52 OOTLs (since 2008), have been released, which has created a view in the taxi industry that the supply of licences has outstripped growth in demand, which has had an adverse impact on the operator/ driver viability.

The vast majority of licence plate operators and drivers are aligned to networks. There are four main networks in Hobart and one main network in each of the Launceston, Burnie and Devonport taxi areas. These networks have no formal existence in the legislation in Tasmania and membership is not mandatory, unlike in other Australian jurisdictions.

2.2 Current licence release arrangements

The current licence release arrangements are largely a result of licensing reforms introduced through the Taxi Act in 2008. Those reforms established a number of specific policy objectives and resulted in the cessation of perpetual taxi licence releases. Under the 2008 Act the focus of any future taxi licence releases was shifted to OOTLs, WATs and TTLs. In summary:

- PTLs are the property of the holder, are tradable and can be leased to third-parties, thereby providing owners of PTLs the option to act as a passive investor. Currently, Hobart PTLs, for example, sell for approximately \$140-150,000 with weekly lease rates in the range of \$250-300, which provides PTL plate owners with a reasonable commercial return. This 'rent' forms part of the cost of operating a taxi and so, is factored into the recommended pricing of taxi fares that are analysed by the Office of the Tasmanian Economic Regulator (OTTER) for the Minister to set in regulation.
- OOTLs can only be operated by the licence holder (i.e. cannot be leased) and may be cancelled without compensation in certain circumstances. OOTLs must be offered for sale annually via a tender process, with a reserve price for each taxi area. The reserve prices were set to be approximately 50% of the going PTL price in 2008, so for example, in Hobart the OOTL reserve is \$60,000. The number of OOTLs that must be made available each year is equal to 5 per cent of the total number of perpetual taxi licences and owner-operator taxi licences in that area, rounded to the nearest whole number; or one owner-operator taxi licence - whichever is the greater. This means, for example, that in the Hobart taxi area 14 OOTL licences were available in the September 2012 tender.
- WATs were introduced to assist the Tasmanian taxi industry to meet its obligations under the Commonwealth Disability Discrimination Act 1992 (DDA), which requires the service provided to people with disabilities to be equivalent to that of able-bodied persons. WAT licences can also only be operated by the licence holder and may be cancelled without

compensation in certain circumstances. There are no limits on the number of WAT licences available, though the applicant must meet certain basic eligibility criteria and the vehicles used on WAT licences (unless for a taxi area defined as ‘remote’) must be new when first assigned to a WAT licence. WAT vehicles cannot be used after reaching 10 years of age.

- TTLs may be issued to an accredited operator of a taxi service for a nominated period and have the same effect as an OOTL. These licences were intended to allow operators to provide additional taxi services in periods of peak demand, but to date, the take up of these has been limited to just one in Hobart and two in Burnie to trial a WAT service.

2.3 Summary assessment in respect to the core Terms of Reference

The review’s assessment of the current licence release arrangements in respect to the core Terms of Reference is summarised in the Table below.

Core terms of reference	Positive impact	No impact	Adverse impact	Report Ref#
1 Impact of the current licence release arrangements on availability, reliability and quality of taxi services? (core term 1.1)		✓		Section 5
2 Impact of the current licence release arrangements on operator viability and taxi driver income? (core term 1.2)			✓	Section 6
3 Impact of the current licence release arrangements on competition within the taxi industry and between taxis and other forms of passenger transport? (core term 1.3)			✓	Sections 6.1.2 and 6.2.2
4 Impact of external market factors impacted on taxi driver income? (core term 3.2)			✓	Sections 6.1.3 and 6.2.3
5 Impact of the current licence release arrangements on WAT services, including consideration of limitations on demand for WAT services, or other institutional factors, that may be creating a legitimate barrier to some WAT operators undertaking a significant amount of such work? (core term 4)		✓		Section 7

On the basis of the above assessment in respect to the core Terms of Reference, the review considers that the current licence release arrangements, at this time have generally had an unintended adverse impact, and for WATs, the impact has been neutral.

2.4 Summary assessment of performance against the policy objectives

The review’s assessment of the current licence release arrangements in respect to the policy objectives is summarised in the Table below.

Policy objective	To a large extent	To some extent	Not at all	Section Ref #
Regular taxis				
1 Providing greater opportunities for taxi operators and drivers (existing and new) to become established in the taxi industry as taxi licence holders, rather than investors with no interest in actually operating a taxi business		✓		Section 8.1.1
2 Facilitating improved returns to the licence holder, thereby providing the opportunity for them to reinvest more resources in the enhancement of their taxi service, including the potential for improved driver remuneration to taxi drivers		✓		Section 8.1.2
3 Providing a predictable, regular opportunity to access a new taxi licence, whether to enter the industry or expand an existing operation.	✓			Section 8.1.3
Wheelchair accessible taxis				
1 Facilitating a means by which new WAT licences could be released, to ensure that the proportion of these taxis in the overall taxi fleet is, at least, maintained		✓		Section 8.2.1
2 Ensuring adequate means for networks' compliance with Disability Discrimination Act 1992 obligations		✓		Section 8.2.2
3 Expanding the WAT fleet to regional areas of Tasmania, through the relaxation of initial vehicle standards in those taxi areas deemed to be 'remote'; the introduction of provisions enabling operators of standard taxis to use wheelchair accessible vehicles in areas where no WAT service is operating			✓	Section 8.2.3
4 Introducing arrangements by which WAT vehicles could be replaced with substitute vehicles to address temporary operational problems.			✓	Section 8.2.4

On the basis of the above assessment of achievement against policy objectives, the review is inclined to the view that the policy objectives for regular taxis have been met to some extent and for WATs, the objectives have been met to some extent or largely unmet.

Overall, the review considers that some reform of the current licence release arrangements for OOTLs is required to minimise unintended industry impacts, improve service standards and better meet policy objectives.

In respect to WATs, there is scope for revision to the current licence release arrangements in order to meet the stated objectives and improve service standards for people requiring WAT vehicles.

2.5 Future directions

The review has considered a number of conceptual regulatory models and alternative licence release arrangements employed in other jurisdictions. That research and analysis has found there is a general trend towards less regulation of the taxi industry licence release arrangements, and greater emphasis to regulation of safety, quality and outcomes. On that basis, the review has concluded that the current arrangements are not materially out-of-step with contemporary wisdom and practice. (Refer to section 9)

However, the review proposes a number of comparatively minor reforms to adjust the current licence release arrangement. These changes seek to provide some high-level indicators about trends in the potential demand for taxis and improve the nature and depth of the analysis of the taxi industry's own performance.

In practice, these reforms should focus on the Hobart taxi area and to a lesser extent, Launceston/Perth. These taxi areas have emerged through this review process as experiencing the more significant challenges arising from a combination of factors including taxi licence numbers, the economic downturn and competition to taxis.

Taken together, these changes aim to better inform future deliberations about the demand and supply equation for taxi licences going forward. This would put a greater burden on the taxi industry and the Department to compile and use such data constructively and would also have some impact on their resources.

All of these measures should impact on the assessments presented above and move those assessments to either more positive impacts, or improved outcomes in respect to the current policy objectives. In particular the review proposes the following reforms.

Subject area	Future direction	Report Ref
Release of OOTLs	The current licence release model for OOTLs be required to have regard to Tasmanian demographic and economic factors as part of approach to determining the number of licences to be released.	Section 10
Taxi industry performance measures	The taxi industry be required to put in place appropriate performance measures that can be shared with government on a regular basis, to feed into the licence release assessment process. A pilot process to test and refine this approach would be beneficial.	Section 12..2
Monitoring of WAT operators	The Department implement more rigorous monitoring of WAT performance and follow through with sanctions on the limited number of WAT operators who are not currently according the necessary priority to undertaking legitimate WAT work.	Section 11
Other WAT related incentives	The Department revisit other provisions in the current WAT legislation that have not encouraged any material take up of WAT licences outside the Hobart and Launceston taxi areas.	Section 11

A ‘pilot’ process or ‘paper trial’, running in parallel to the current licence release model would be a prudent way to progress the first two of these recommendations. Government and the taxi industry would need to work together to test and refine the way in which Tasmanian demographic/ economic data and taxi industry performance data could be used to inform the release arrangements for taxi licences. A key to the success of this process will be developing indicators that are verifiable and transparent.

Such indicators could also conceivably point to a situation where more licences could be issued than under the current arrangements. This could be the case, if for example, Tasmania, and the urban regions in particular, experienced very strong economic and demographic growth and taxi industry data indicated high levels of unmet demand and dramatically increasing response times.

2.6 Other considerations

The review was required to address a range of matters in the Terms of Reference that had been characterised as considerations outside the Core Terms of Reference. In summary the review has come to the following assessments.

Requirement	Assessment	Report Ref
Consider the performance measures for standard taxis and WATs – what, if any, measures should be established and periodically collected that are capable of being audited	The review has identified the performance measures adopted in NSW and used by IPART to oversee performance of the taxi industry in that State is a good starting point. All major networks operators in Hobart have indicated their despatch systems can provide most of the data. The taxi industry has widely embraced the prospect of providing data to inform future decision making.	Section 12.1
Consider any practical and/or operational implications of the increase in the number of taxis operating, including such matters as the distribution and capacity of taxi ranks and traffic congestion and/or other negative outcomes at specific locations (e.g. airports)	The review considers that, all other things being equal, the increase in the number of taxis operating around the Hobart and Launceston taxi areas is likely to have had an adverse impact on rank space. It would appear that ranks spaces have not grown in proportion to the increase in the number of operational taxi licences. This situation is likely to have been exacerbated by the shift of taxis from the outlying suburbs to the CBD and airports in pursuit of more lucrative fares.	Section 12.2
Consider the <i>case for existing PTLs to be converted</i> to OOTLs/WATs over time	The rationale for converting PTLs to OOTLs has some conceptual appeal, in terms of moving all operators onto a level playing field as far as licences are concerned. However, the cost/ benefit equation is not compelling and, accordingly, the review is inclined to conclude there is not a compelling case to convert existing PTLs to OOTLs/WATs at this time.	Section 12.3

Requirement	Assessment	Report Ref
Consider the <i>implications of alternatives in terms of Government resources</i>	Implementation of the recommended reforms to the existing current licence release arrangements would have some impact on government resources, both during the implementation phase and on an ongoing basis.	Section 12.4
Measures to address taxi driver income, in the absence of significant reform	<p>The review considers that given time, the recommended measures, should facilitate a situation where there is a closer and more transparent relationship between the demand for taxi services and the licences made available to meet that demand. Notwithstanding, the review understands these changes will take time to flow through to drivers who have felt an impact from the current licence release arrangements and other economic and competitive forces.</p> <p>Therefore, the review also recommends consideration be given to the following additional measures, each of which will need to be the subject of some further consultation, legal advice and analysis.</p> <ol style="list-style-type: none"> 1 Review arrangements that allow for some networks to allocate less than 50% of takings to drivers, recognising this will only impact, in the main, on drivers in the Launceston, Burnie and Devonport taxi areas 2 Review the legality of arrangements within some networks where it is claimed that drivers are being required to pay their own workers compensation 3 Review the current taxi driver training program and accreditation requirements, with a view to elevating driver entry standards and quality of drivers that graduate through the program. 	Section 12.5
Options for change outside the Hobart taxi area, if appropriate	Given the focus of the review on the Hobart and Launceston taxi areas and the absence of any perspectives by the taxi industry in more rural/ remote regions, the review is not inclined to propose any definitive changes to the taxi licence release arrangements that would stimulate the supply of licences in the more rural/ remote areas of Tasmania.	Section 12.6

2.7 Other observations

The review has been expansive and drawn into challenges facing areas of the taxi industry that area not necessarily part of the Terms of Reference. The review has elected to share these

observations with the aim of assisting to facilitate changes where required. In summary the review has come to the following assessments.

Issue	Assessment	Report Ref
Taxi industry structure, organisation and leadership	The taxi industry needs to be encouraged and supported to establish and maintain a peak industry body that is representative of the taxi industry more broadly. Such a body may benefit from the inclusion of independent members with appropriate skills and experience outside the taxi industry.	Section 13.1
Complaints mechanisms	Since membership of the networks is not compulsory, the taxi industry and government needs to make more transparent to taxi users, the mechanisms in place to receive and address complaints made against independent operators.	Section 13.2

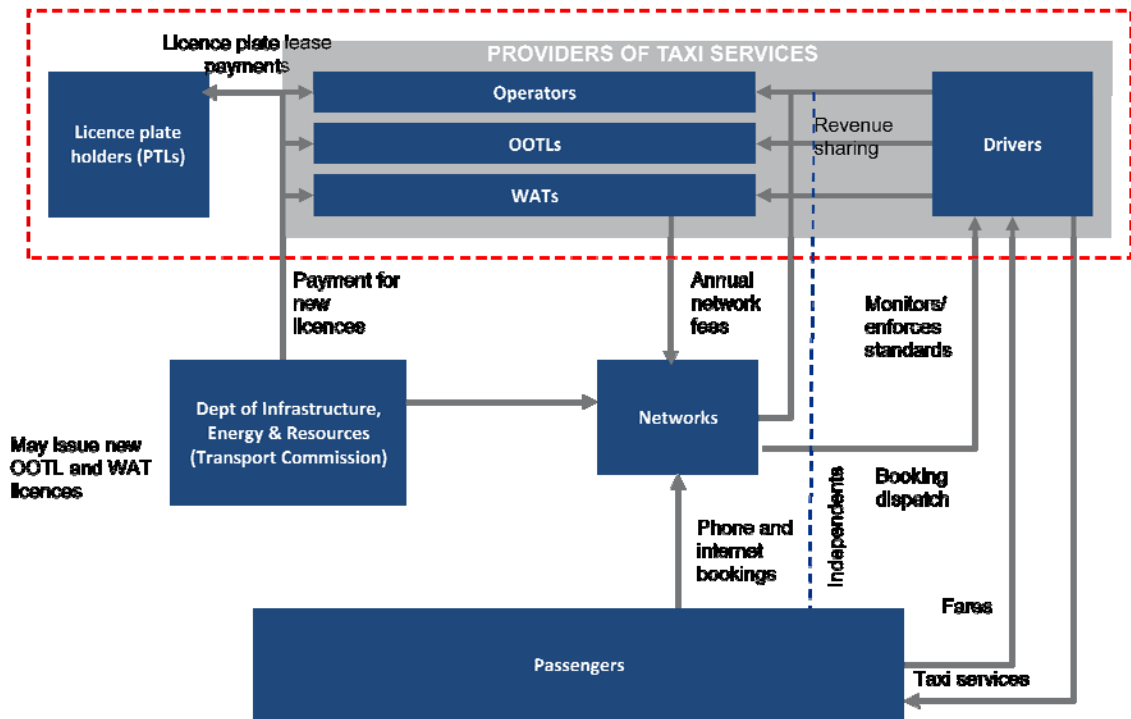
3 The taxi industry in Tasmania

This section provides a brief overview of the taxi industry in Tasmania to provide a sense of the scale and scope of the industry.

3.1 Industry structure

The graphic below presents a snapshot the taxi industry structure in Tasmania.

Figure 1: Overview of the taxi industry in Tasmania



The key features of the structure to note are:

- There are three main types of taxi operators
 - Perpetual Licence Holders, some of who also operate/ driver their taxi(s) and others who lease the right to use their plate to other operators
 - Owner Operator Taxi Licences, who mostly own and operate their own taxi
 - Wheelchair Accessible Taxis, who are intended to focus on providing services to passengers needing wheelchair accessible transport
- Drivers and passengers are the cornerstones of the taxi industry and, it is this interaction of users and providers of taxi services that fundamentally defines the purpose of the taxi industry
- Drivers may be owner drivers or bailee drivers

- Owner drivers lease or own the taxi plate (PTL or OOTL) and also driver the vehicle. These drivers keep all fare revenue but bear all costs of vehicle ownership including fuel, repairs, registration, licensing costs payable to the Government and network fees payable to the networks if aligned
 - Bailee drivers driver the taxis and are considered self-employed by law. They bear all their own GST and superannuation costs and receive between 40 to 50% of the fare revenue depending on the relationship with the plate owner and location. The fee sharing arrangement is generally 50% owner/50% driver in Hobart, 55%/ 45% in Launceston and 60%/ 40% on the North West Coast, where the owner absorbs some additional driver costs. However, for the purposes of workers compensation law, taxi drivers are are taken to be employees.
- Networks have been established to help to connect the users and providers, by receiving calls from users and dispatching drivers to undertake the work.
 - DIER provides the regulatory framework within which the taxi industry operates. Its main roles currently are to manage the licence release arrangements, manage vehicle inspectorial services and more generally oversee the industry.

Section 4 provides a more detailed description of the main type of licences.

3.2 Scale and scope of operations

The total distribution of taxi licences, by type and taxi area, is shown in Table 1. There are 24 taxi areas in Tasmania with 77.4% of the total number of licences held in the Hobart and Launceston regions. [Appendix A](#) depicts graphically, the distribution of taxis throughout the North, North West and Southern regions of Tasmania.

Table 1: Taxi Statistics Tasmania (as at 30 September 2012)¹

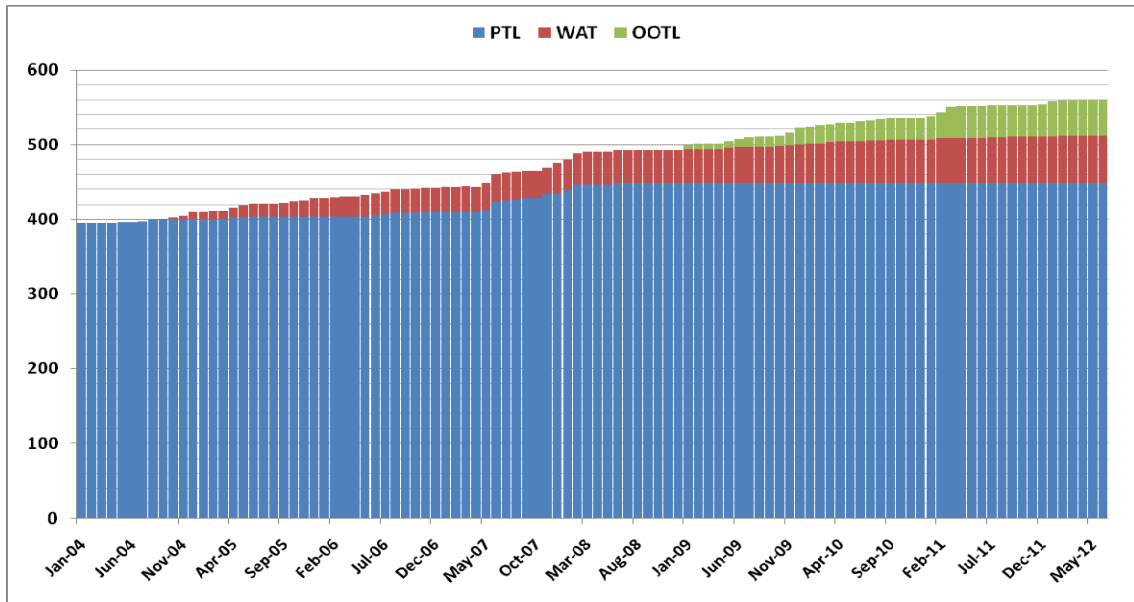
Taxi Area	PTLs on issue	WAT Licences	OOTL Licences	Taxi Licences
Hobart	228	44	45	317
Launceston	101	17	1	119
Devonport	23	1	1	25
Burnie/Wynyard	22	0	0	22
West Coast	10	0	0	10
New Norfolk	9	0	0	9
Perth	8	0	3	11
Ulverstone	7	0	0	7

¹ Since this Table was provided by DIER, an OOTL has been released in Devonport.

Taxi Area	PTLs on issue	WAT Licences	OOTL Licences	Taxi Licences
Circular Head	5	0	0	5
George Town	5	0	0	5
Huon Valley	5	1	1	7
Dorset	3	0	0	3
Break O'Day	3	0	0	3
Glamorgan-Spring Bay South	3	0	0	3
Tasman	2	0	1	3
Penguin	2	0	0	2
Meander Valley	2	0	0	2
West Tamar	2	0	0	2
Glamorgan-Spring Bay North	2	0	0	2
King Island	2	0	0	2
Bruny Island	2	0	0	2
Flinders Island	1	0	1	2
Central Highlands	1	0	0	1
Kentish	0	0	0	0
Total	448	63	53	564

The chart below depicts the growth in the number of taxi licences *state-wide* since 2004. One of the catalysts for this review of taxi licence release arrangements has been the perception by the taxi industry that the growth in the number of WAT and OOTL licences has outstripped the growth in the demand for taxis, hence impacting adversely on operators and drivers in the taxi industry.

Chart 1: Change in the number of taxi licences since 2004



Source: Department of Infrastructure, Energy and Resources

An analysis of changes in each of the main taxi areas – Hobart, Launceston, Burnie and Devonport is presented in [Appendix B](#). Chart B.1.2 for the Hobart region presents data back to 1971 and indicates that there was an extended period from the mid-1980s to about 2004, when no new licences were issued.

3.3 Industry structure in the major urban centres

3.3.1 Hobart

The Hobart taxi area comprises the greater Hobart municipal areas of Hobart, Clarence, Sorell, Glenorchy, Brighton and Kingston. For the practical purposes of allocating taxi work, the networks disaggregate each of these municipal areas into sub-regions that generally align to suburbs. Theoretically, any driver can work anywhere in the greater Hobart area, although the focal points tend to be the Hobart CBD and the Hobart airport.

The taxi industry in Hobart is characterised by four major network operators that collectively operate the majority of all licences on issue in the Hobart taxi area, and a smaller number of independent operators that are not aligned to the networks.

The allocation of licences between the four major networks is summarised in table 1 below. Note that this Table 1 should be seen as indicative as licence holders move between networks and some have moved from PTLs to OOTLs. Hence, this is presented more to provide a sense of the scale of each network’s operation.

Table 2: Hobart taxi area allocation of licences

	Taxi Combined 132227	131008*	Yellow Cabs 132455	E-Cabs 133222
PTL	65	98*	57	46
OOTL	18		1	0
WAT	2	13	12	12
Total	80	111	70	58

**Note that 131008 do not keep a record of OOTL and PTL operators and so this is an estimate only*

3.3.2 Launceston/ Perth

Uniquely in the Tasmanian context, the Launceston, Perth and West Tamar Taxi areas overlap. Two of Launceston’s key trip generators (Launceston Airport and the Country Club Hotel Casino) fall in the area that is shared by the Launceston and Perth taxi areas. This has had the effect of providing Perth taxis with access to a much larger pool of potential patronage than would be the case if the Perth taxi area excluded these two attractors.

For this reason, Perth taxi licences are able to operate, to some extent, as de facto Launceston licences, albeit with the restriction that they cannot stand on taxi ranks within the Launceston taxi area and they cannot undertake trips wholly within the Launceston taxi area. Additionally, while the reserve price for Launceston OOTLs is \$35,000, the price for Perth OOTLs is significantly lower at \$12,500. Recent interest in Perth taxi licences has been relatively strong and numbers have grown from 4 in 2004 to 11 in 2012.

The taxi industry in Launceston is largely ‘controlled’ by a single radio network – Taxi Combined, which is owned by the majority of ‘mature’ operators in the Launceston taxi area. More recent entrants to the industry, including OOTL owners in the Launceston/ Perth taxi areas, may be precluded from joining the network as they do not hold shares in the network ownership vehicle. Such operators may operate independently or join other smaller affiliations such as Northern Taxis, which has a small group of taxis that work collaboratively.

3.3.3 Burnie

Unlike Hobart and Launceston, taxi services in Burnie are owned and delivered by a single enterprise, in this case a co-operative of individual PTL owners. This co-operative is also the monopoly provider of taxi despatch services in the area. The co-operative has established its own roster system to ensure that all members receive an adequate allocation of access to the market.

The only variation to this cooperative model existed between 2004 and early 2011, when a rival company operating a single WAT also worked in the area. This was a business that had previously delivered a single-vehicle SPC service in Burnie.

3.3.4 Devonport

As in the case of Burnie, taxi services in Devonport are mostly provided by a monopoly, with the difference being that all of the licences are owned and operated by a single company (not a co-operative). This company is also the monopoly provider of taxi despatch services in the area. This situation changed in January 2013, with the first OOTL being purchased for use in the Devonport taxi area. This operates independently of the network and the owner/ operator uses mobile telephony and personal networks and referrals to attract patronage.

3.4 Summary

The taxi industry is a relatively complex web of inter-relationships between PTL plate holders, OOTL licence holders, WAT licence holders, networks, drivers and the Government, that collectively work to provide taxi services to the general public.

There are currently 564 taxi licences allocated across the 24 taxi areas in Tasmania - 448 PTLs, 63 WATs and 53 OOTLs - with 77.4% of the total number of licences held in the Hobart and Launceston regions. Since 2004, the 63 WATs and 53 OOTLs (since 2008), have been released, which has created a view in the taxi industry that the supply of licences has outstripped growth in demand, which has had an adverse impact on the operator/ driver viability.

The vast majority of licence plate operators and drivers are aligned to networks. There are four main networks in Hobart and one main network in each of the Launceston, Burnie and Devonport taxi areas. These networks have no formal existence in the legislation in Tasmania and membership is not mandatory, unlike in other Australian jurisdictions.

4 Current licence release arrangements

This section provides an overview of the policy objectives and current licence release arrangements that came into force with the Act in 2008. This provides the basis for the later assessment of the extent to which the current arrangements are meeting these policy objectives.

4.1 Policy objectives

The current licence release arrangements were put in place with a view to achieving a number of objectives.

4.1.1 Owner-operator/standard taxi licences

The key objectives on the Act in respect to owner-operator/ standard taxi licences are as follows:

- 1 Providing greater opportunities for taxi operators and drivers (existing and new) to become established in the taxi industry as taxi licence holders, rather than investors with no interest in actually operating a taxi business
- 2 Facilitating improved returns to the licence holder, thereby providing the opportunity for them to reinvest more resources in the enhancement of their taxi service, including the potential for improved driver remuneration to taxi drivers, and
- 3 Providing a predictable, regular opportunity to access a new taxi licence, whether to enter the industry or expand an existing operation.

4.1.2 Wheelchair accessible taxi licences

The key objectives in the Act in respect to wheelchair accessible taxi licences are as follows:

- 1 Facilitating a means by which new WAT licences could be released, to ensure that the proportion of these taxis in the overall taxi fleet is, at least, maintained
- 2 Ensuring adequate means for networks' compliance with Disability Discrimination Act 1992 obligations
- 3 Expanding the WAT fleet to regional areas of Tasmania, through (i) the relaxation of initial vehicle standards in those taxi areas deemed to be 'remote'; and (ii) the introduction of provisions enabling operators of standard taxis to use wheelchair accessible vehicles in areas where no WAT service is operating, and
- 4 Introducing arrangements by which WAT vehicles could be replaced with substitute vehicles to address temporary operational problems.

4.2 Outline of licence release arrangements

4.2.1 Perpetual taxi licence

PTLs convey up on the holder the perpetual right to operate a taxi service. PTLs are the personal property of the holder, are tradable and can be leased to third-party operators, thereby providing owners of PTLs the option to play little or no active role in the operation of taxi services.

High perpetual licence prices (due to the leasability and relative scarcity of these licences) mean that a significant number of these licence are owned by investors who may not be involved with the operation of taxi businesses. Investors seek a combination of regular lease income and capital appreciation, on the sale of the licence, to derive satisfactory returns. Currently, Hobart PTLs sell for approximately \$140-150,000 with weekly lease rates in the range of \$250-300. This 'rent' forms part of the cost of operating a taxi and so, is factored into the recommended pricing of taxi fares that are analysed by the Office of the Tasmanian Economic Regulator for the Minister to set in regulation.

Due to the need for PTL lessees to service these lease rates, a significant proportion of many taxis' revenue does not flow to the operators and drivers who actually deliver the taxi services authorised under the licences.

PTLs were last issued by the Government in 2007 and are no longer available as a result of licensing reforms introduced through the Tax and Luxury Hire Car Industries Act 2008 (Taxi Act 2008). Under that Act, the only taxi licence releases that could be available from that time onwards are Owner Operator, Wheelchair Accessible and Temporary taxi licences.

4.2.2 Owner Operator Taxi licence

OOTLs were introduced by the Taxi Act which commenced in 2008. OOTLs can only be operated by the licence holder (i.e. cannot be leased) and may be cancelled without compensation in certain circumstances. Owner-operator licences are offered for sale annually via a tender process which features a reserve price (i.e. a minimum permissible issue price) for each taxi area.

The annual offering for sale of OOTLs is compulsory (required under legislation), to ensure there is a regular and predictable opportunity for the level of taxi services to be increased in response to demand. OOTL reserve prices are detailed in Table 1. Section 23 of the Tax and Luxury Hire Car Industries Act 2008 requires that the Transport Commission make OOTLs available for issue in each taxi area prior to 30 September each year.

The number of OOTLs required to be made available each year is equal to five per cent of the total number of perpetual taxi licences and owner-operator taxi licences in that area, rounded to the nearest whole number; or one owner-operator taxi licence, whichever is the greater.

4.2.3 Wheelchair Accessible Taxi licence

WATs were introduced to assist the Tasmanian taxi industry to meet its obligations under the Commonwealth Disability Discrimination Act 1992 (DDA). A feature of the DDA is that the service provided to people with disabilities must be equivalent to that of able-bodied persons. Parallel (i.e. segregated for disabled persons only) services generally would not meet this

requirement. The first WAT licences were issued in 2004. Since that time a total of 64 WATs have been introduced into the Tasmanian taxi fleet. The current distribution of WATs is Hobart (44), Launceston (17), Devonport (1) and Huon Valley (1). WAT licences are similar to OOTLs in the sense that they can only be operated by the licence holder and may be cancelled without compensation in certain circumstances.

However, there are no limits on the number of WAT licences available, meaning that they can be issued at any time to an applicant that meets the criteria for licence issue (ie. accredited and registered operator of a suitable vehicle for each licence). Unlike both PTLs and OOTLs, there is a requirement that the vehicles used on WAT licences (unless for a taxi area defined as 'remote') must be new when first assigned to a WAT licence.

Additionally, WAT vehicles cannot be used after reaching 10 years of age. The legislation provides for the use of substitute vehicles upon application.

4.2.4 Temporary taxi licences

The Taxi Act also provides for the release of temporary taxi licences (TTLs). TTLs may be issued to an accredited operator of a taxi service for a nominated period and have the same effect as an owner-operator taxi licence for the period it is in force. These licences were intended to allow operators to provide additional taxi services in periods of peak demand (e.g. the New Year Period). Only one TTL has been issued in Hobart. Two TTLs were issued in Burnie in 2011 to enable the provision of a trial WAT service in the area.

4.3 Summary

The current licence release arrangements are largely a result of licensing reforms introduced through the Taxi Act in 2008. Those reforms established a number of specific policy objectives and resulted in the cessation of perpetual taxi licence releases. Under the 2008 Act the focus of any future taxi licence releases was shifted to OOTLs, WATs and TTLs. In summary:

- PTLs are the property of the holder, are tradable and can be leased to third-parties, thereby providing owners of PTLs the option to act as a passive investor. Currently, Hobart PTLs, for example, sell for approximately \$140-150,000 with weekly lease rates in the range of \$250-300, which provides PTL plate owners with a reasonable commercial return. This 'rent' forms part of the cost of operating a taxi and so, is factored into the determination of taxi fares set by the OTTER.
- OOTLs can only be operated by the licence holder (i.e. cannot be leased) and may be cancelled without compensation in certain circumstances. OOTLs must be offered for sale annually via a tender process, with a reserve price for each taxi area. The reserve prices were set to be approximately 50% of the going PTL price in 2008, so for example, in Hobart the OOTL reserve is \$60,000. The number of OOTLs that must be made available each year is equal to 5 per cent of the total number of perpetual taxi licences and owner-operator taxi licences in that area, rounded to the nearest whole number; or one owner-operator taxi licence - whichever is the greater. This means, for example, that in the Hobart taxi area 14 OOTL licences were available in the September 2012 tender.
- WATs were introduced to assist the Tasmanian taxi industry to meet its obligations under the DDA, which requires the service provided to people with disabilities to be equivalent to

that of able-bodied persons. WAT licences can also only be operated by the licence holder and may be cancelled without compensation in certain circumstances. There are no limits on the number of WAT licences available, though the applicant must meet certain basic eligibility criteria and the vehicles used on WAT licences (unless for a taxi area defined as 'remote') must be new when first assigned to a WAT licence. WAT vehicles cannot be used after reaching 10 years of age.

- TTLs may be issued to an accredited operator of a taxi service for a nominated period and have the same effect as an OOTL. These licences were intended to allow operators to provide additional taxi services in periods of peak demand, but to date, the take up of these has been limited to just one in Hobart and two in Burnie to trial a WAT service.

5 Availability, reliability and quality of taxi services

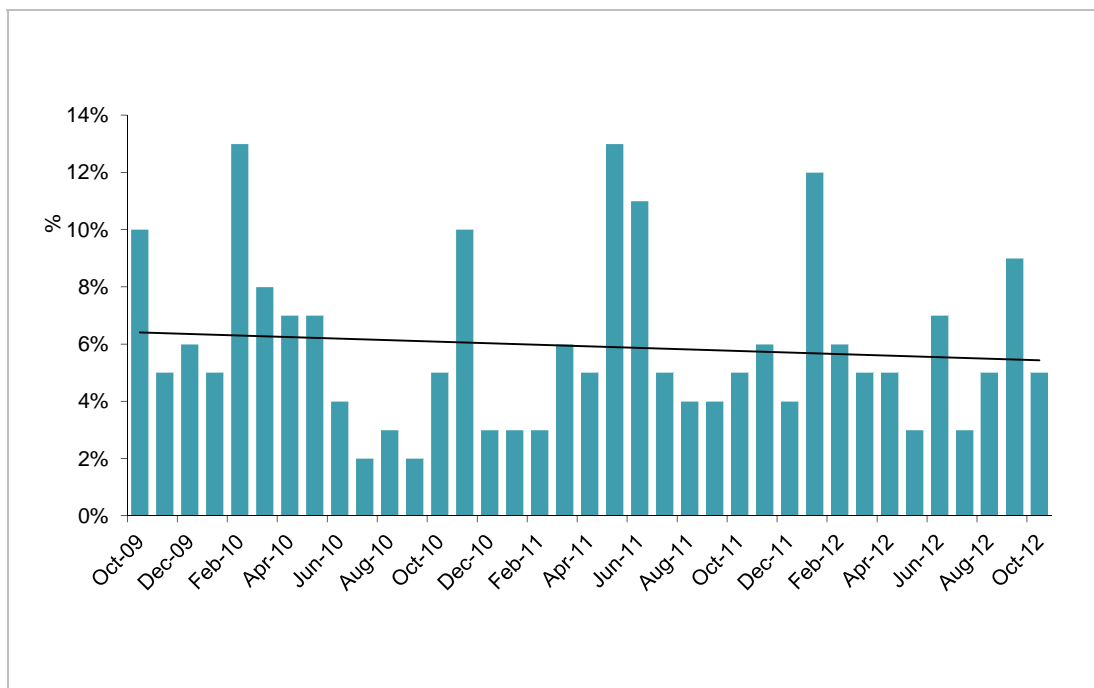
This section provides an assessment of the current licence release arrangements, in reference to the availability, reliability and quality of taxi services. This section therefore responds to the item #1.1 of the Scope’s core elements.

5.1 Matters emerging from analysis of relevant data

The Department has undertaken and presented to the review, some analysis of matters that point to the availability, reliability and quality of the taxi industry throughout Tasmania. The Department has power to require the taxi industry to report performance data to assist and inform the regulatory process, under Section 97 of the Taxi Act 2008. The Department is yet to formally invoke this provision in terms of establishing a standardised and regular requirement for the provision of statistical data.

Various ad hoc attempts made by the Department to source such data from the major networks has previously highlighted inconsistencies in data definitions and reporting across the networks, and so, there are significant limitations on the data available to undertake this review. Notwithstanding, Chart 2 below, provides some insight into taxi quality, presenting the outcomes of the random inspection procedure that the Department undertakes to identify taxis that may have defects.

Chart 2: Percentage of defected taxis at random inspections



Source: Department of Infrastructure, Energy and Resources

The Chart above shows the percentage of taxis found with defects has tended to average at around 6%, oscillating between 1-2 % and up to 12-13%. Overall the trend line shows a gradual

decline over the last three years, tending to suggest that, all other things being equal, there has not been any noticeable deterioration in the quality of taxis.

5.2 Matters raised in consultations

Many participants observed that this term of reference contained a number of elements – availability, reliability and quality – and that each of these elements may not necessarily evoke the same assessment. This observation was noted and so, where relevant, the observations and overall assessment made by participants to each of the elements has been reported.

The taxi industry participants in the consultation process generally accepted that the *availability* of taxis may have either not changed or should have marginally improved, simply by virtue of the greater number of taxis now available in the market. This is more the case in Hobart and to a lesser extent Launceston. There has been little change in taxi cab numbers elsewhere in Tasmania and so, availability has not materially changed.

In support of this contention, network operators/ managers suggested that their own internal performance measures indicated that response times had not discernibly changed in the main populated areas/ sub areas (Hobart and Launceston CBDs and inner suburbs. Furthermore, approximately 30%² of all taxi work was pre-booked and accordingly, a taxi driver could be programmed to honour the booking, meaning the response time would always be unaffected by changes to the number of taxis.

Whilst there was some agreement about the likelihood of some marginal improvement in availability, a number of observations pointed to the increasing number and availability of taxis being an issue when the ‘job pie’ was static or even diminished. It was claimed that a greater number of taxis, adversely impacts financial viability, and hence could lead to some adverse impacts on *reliability and quality* of taxi services. Some comments passed that pointed to a reduction in reliability and quality included the following:

- Experienced drivers having left the industry due to the declined and unsustainable remuneration and newer drivers don’t have the same knowledge or commitment
- The reduction in the number of drivers was requiring some operators to ‘single shift’ a vehicle, meaning it would not work 24/7 over two shifts with two different drivers, and more often, the night shift would be period that would suffer from a lack of taxis
- Response times in outlying areas (such as Hobart’s northern suburbs) were growing, as taxis found these areas increasingly less viable and so, were moving to focus their work in other regions – in the Hobart CBD ranks, Salamanca, Wrest Point or airport
- Vehicle quality may have diminished at the margins due to the tightened financial operating conditions, with some optional repairs being delayed or not undertaken (e.g. minor scratches and dent, repairs and replacements)
- An increasing number of drivers are overlooking smaller, less lucrative jobs to remain positioned, often at the airport, for higher yielding jobs

² Based on estimate provided by Taxi Combined Services, Hobart

Submission extract #1

131008 had 20 plus cars working in the early morning and a booking was in the system for Blackmans Bay to Kettering. It is a \$57 job but not one 131008 car would do it despite persistent advertising. Cabs in the area even drove back to Hobart empty. I had to give the job to a rival company to get the customer to work on time.

131008 had 32 vacant cars and there was a job from Lutana to Moonah that no one accepted despite extensive advertising.

The review also considered other written submissions, which generally tended to support the matters raised in consultations. In a survey of *taxi users* conducted by John Campton of Taxis Tasmania³, the following outcomes were reported:

- 71% of participants claimed that the quality of vehicles had decreased
- 71% of participants claimed that the response time is slower
- 100% of respondents claimed that the quality of driver had decreased

The following observations were also reported in this survey:

- *“Taxi drivers are rude to patients about the short distances not bringing them enough money”*
- *“(The driver) didn’t know the way... had to get directions”*
- *“Drivers often don’t understand directions or destinations. Cars dirty. Good drivers hard to come by”*

In a survey of *taxi drivers* conducted also by John Campton, 48% of drivers surveyed indicated that they are less inclined to service outlying areas due to financial reasons. This would greatly affect taxi availability to these areas. The Department advises this is not necessarily a new issue, noting it was raised by the taxi industry representatives as part of the 2006 review.

Submission extract #2

Most week nights and weekends many of the driver will not venture past the city, Salamanca area of Sandy Bay and these drivers will not service any areas any distance from where they are.

I have trouble getting cars from the City area to cover jobs in Newtown, Moonah, Glenorchy, Claremont, Tarooma and Howrah. Kingston, Blackmans Bay, Lauderdale, Bridgewater, Brighton, Risdon Vale, Sorell and Midway Point all experience very long delays and this is very hard to understand when the furthest point from the city is 15 – 20 minutes and cars going to these areas refuse the jobs.

I personally work in with an operator from another company and we assist each other with jobs that are hard to get someone to do.

The review also spoke with the new OOTL entrant in Devonport, who is the only operator not connected to the Taxi Combined network in that taxi area. In a short time, that operator has been able to source taxi work and keep the vehicle utilised. Some of the work has come from

³ According to John Campton, the survey was a short/ structured instrument, undertaken by interview of 50 members of the public

later at night, when the existing operator is less able to respond fully to the demand and other work has been attracted because of the quality of service being offered.

This operator also pointed to the difficulties the existing operator in Devonport has in getting drivers. It was suggested that of the 23 PTLs allocated in that taxi area, 5 are essentially inactive, and of the 18 that are active, only 12 are fully utilised due to difficulties sourcing drivers. It was suggested that the payment of 40% of total takings to the driver in Devonport may be a deterrent to attracting drivers.

5.3 Assessment

On balance, the review considers that there been little change, for either better or worse, in the *availability and reliability* of taxi services, in the Hobart and Launceston/ Perth taxi areas.

Notionally, availability and reliability should have improved due to the overall increase in the number of WAT and OOTL licences in those areas, but there are factors that may have counteracted this outcome.

For instance, it would appear there are some outlying suburbs, particularly in the Hobart taxi area, where the availability and reliability of taxi services may have diminished. This is a result of drivers seeking more taxi jobs and more lucrative taxi fares in the busier areas – Hobart CBD and Hobart Airport.

Furthermore, while there may be more taxi licences notionally available, it is likely there are fewer taxis working 24/7, so that the overall supply of taxis has not increased in the same proportion to the increase in the number of licences.

Elsewhere in Tasmania, the availability of taxis is largely unchanged due to the limited take up of licences. That said, the review has heard of some issues associated with the availability and reliability of taxis in the Devonport area, which has only recently been recognised as an opportunity by a former driver to become an OOTL owner. That same operator has also indicated there may be scope for one or more additional OOTL licences in that taxi area.

A similar situation could also exist in the other major urban areas - Devonport and Burnie - where the existing operators are well entrenched and could regulate the supply of taxi services using roster-based systems that, in effect, act as a constraint on demand.

Interestingly, the review notes the limited take up of TTLs. The consultation process did not attract any observations in respect to this licence option, which would appear to suggest that there is little awareness of this licence type, and/ or there is not sufficient demand for operators to justify a need to procure this type of licence.

In respect to *quality*, the review has heard from the industry itself, about the industry's own concerns in relation to quality – both vehicle and driver. Some other stakeholders external to the taxi industry shared this perspective. Interestingly, however, the random inspection data provided by the Department tends to not support this contention. That data show that the percentage of taxis found with defects has tended to marginally trend down from around the average of around 6% over the last three years.

On balance, the review is inclined to conclude there may have been some marginal reduction in the overall quality of taxi vehicles, but this is not widespread or systemic. For some operators, vehicle quality may have deteriorated because of factors such as the financially tight operating

environment and outsourced inspectorial services that are now more focused on safety/ road worthiness rather than vehicle presentation and appearance.

In respect to taxi drivers, on balance, the review has heard from the industry itself about its own concerns about driver quality and this is significant, especially when offered by those directly involved in the provision of training services. Contributing factors would appear to include the relatively low industry entry standards expected to be reached by new/ intending drivers undertaking the training and accreditation process and the low levels of remuneration available to drivers.

In respect to the key issues raised concerning services to outer areas and quality concerns, the causal relationship between these issues and the current licence release arrangements is not clear. While the licence release arrangements may have been a factor at the margins, there would appear to be a greater role for the taxi industry itself to also constructively address such challenges.

6 Taxi driver and operator viability

This section provides an assessment of the current licence release arrangements, in reference to the taxi driver and operator viability. This section therefore responds to the item #1.2 and #1.3 of the Scope's core elements and item #3 that requires an examination of the causal link between taxi driver income and taxi licence numbers, together with the influence of external factors on incomes (in particular since 2007).

6.1 Matters emerging from analysis of relevant data

6.1.1 Impact of the current licence release arrangements

As noted earlier, there has been significant growth in the number of taxi licences since 2004, due to the growing number of WAT and OOTL licences. Appendix B, undertaken by DIER for the review presents the growth in the number of taxi licences for the major urban areas – Hobart, Launceston, Burnie and Devonport. In summary, [Appendix B](#) shows:

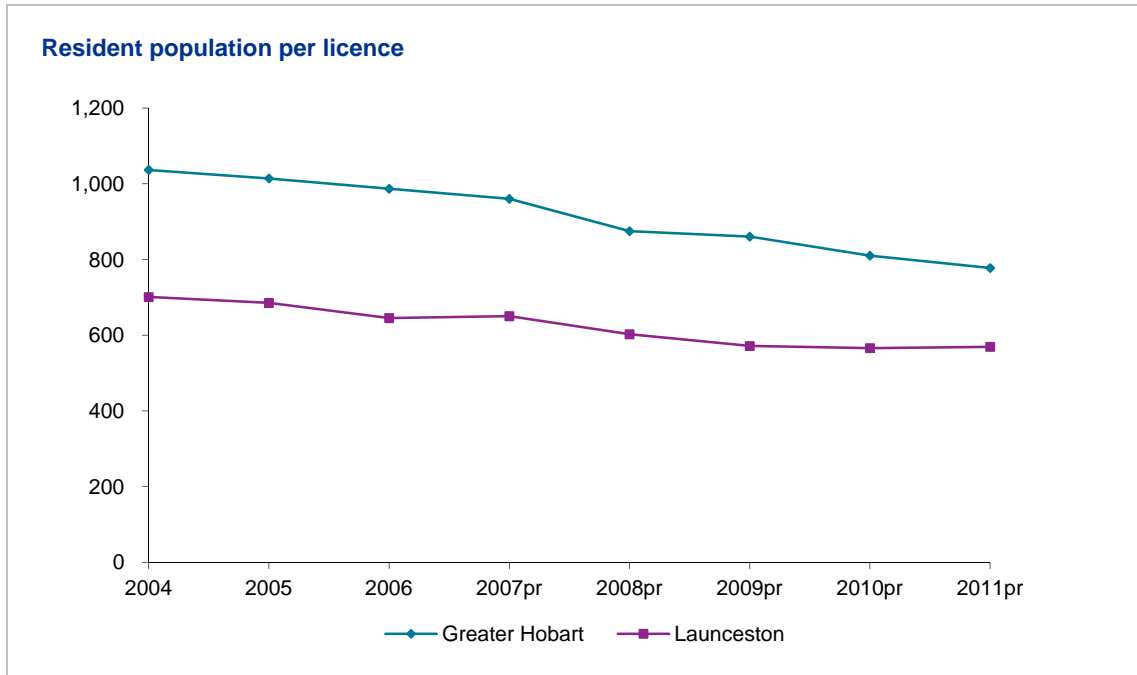
- The growth in *Hobart* taxi licences mirrors the state-wide situation. This is to be expected given that a significant number (70%) of WAT licences and nearly all (90%) of the OOTLs acquired since the creation of these licence types, have been for the Hobart taxi area. This has resulted in a 52 per cent increase in the total number of Hobart area taxi licences between 2004 and the present. ([Appendix B.1](#))
- Since 2009, the situation in *Launceston* has been quite different to that of Hobart. While the scale of the roll-out of WAT licences was, the almost complete lack of OOTLs (only 1 Launceston OOTL has been purchased) is apparent. The result being that over the period 2004 to the present, the total number of taxi licences in Launceston increased by 30 per cent, compared to 52 per cent in Hobart. ([Appendix B.2](#))
- The total number of PTLs in *Burnie* has been unchanged (at 22) since 1996, when two were voluntarily handed back to the Transport Commission. Prior to this, it is understood that the number of taxi/cab licences on issue had been largely unchanged for a number of years. None were purchased at the annual tender in 2007, and no tenders have ever been received for OOTLs since 2008. Representatives of the co-operative have advised DIER that the demand for taxis in Burnie is being met by the current number of taxis, and there is no room in the market for additional taxis. ([Appendix B.3](#))
- Currently, there are 23 perpetual licences on issue in *Devonport*. Prior to one being purchased by the incumbent operator in the 2007 tender, the number had remained at 22 for many years. One tender has recently been received for an OOTL, which commenced operation in February 2013. A single WAT has operated in Devonport since 2004 (also by the incumbent taxi company). ([Appendix B.4](#))

6.1.1.1 Licences per capita analysis

There is a commonly quoted taxi industry norm that approximately one taxi per 1,000 resident population is about the right number of taxis. Though this 'rule of thumb' has no regard to local economic and demographic factors, and its relevance should not be overstated, trends in this

number can point to changes that may have been affecting the taxi industry, and this is therefore presented below for the Hobart and Launceston taxi areas.

Chart 3: Resident population per licence



Source: KPMG using data from ABS and Department of Infrastructure, Energy and Resources

In summary, the data indicates that in Hobart, resident population per licence has trended down from 1,037 to 778, while in Launceston, resident population per licence has trended down from 701 to 569. All other things being equal, this would tend to support the contention that there are fewer potential residents (taxi users) per licence. In Hobart, the reduction has been 25% and in Launceston, the reduction has been 19%.

However, as mentioned, this somewhat ‘crude’ measure does not consider local economic and demographic factors. It also does not take into account other changes in the wider transport market⁴. Further stratification of the population by age types and incomes, by suburb, along with transport-user profiles and specific changes to the broader transport market would be required to provide greater insight into the size of the target market that is naturally more attracted to use the services of the taxi industry.⁵

Furthermore, this ratio is not a result of the genuine interplay between supply and demand. Rather, in Australia, the 1:1,000 guideline is the product of many years of continuous regulation of taxi licence supply. As such, the review does not seek to place any emphasis or reliance on this measure as a guide to the number of taxi licences that should be available and is only presented to illustrate the trend over the last few years.

⁴ For instance, in Tasmania, Special Purpose Cabs have been phased out with the growth of WATs. There has also been a reduction in the number of luxury hire cars since 2008, due mainly to changes in legislation which a) no longer allow luxury hire cars to have a taxi meter fitted, and thereby more readily operate as a de facto taxi and b) raised the entry standards by requiring the vehicle value to exceed the Commonwealth luxury tax threshold

⁵ While such analysis would be beneficial, it could not be undertaken within the scope and budget of this review.

6.1.1.2 Taxi vehicle kilometre analysis

The Vehicle Kilometre Analysis paper, compiled by DIER for the purposes of this review, presents the results of an analysis of data collected via the mandatory six-monthly taxi inspection program. Figures (charts) from the report are included in [Appendix E](#).

Chart E2.2 shows the average annual kilometres travelled in the period of September to August, in the Hobart taxi area. The chart shows that there has been a decline of approximately 10% for *individual* standard taxi vehicle kilometers with the figure for WATs remaining fairly static (a reduction of approximately 4% between 2007/2008 and 2011/2012).

Interestingly, the data indicates an approximate 12% reduction in the monthly kilometres travelled between 2007 and 2012, over the time when the number of 'standard' taxi licences has increased from 218 to 272 (a 25 per cent increase) and the total licences on issue (i.e. PTL/OOTL and WAT) has increased from 240 to 316 (a 32% increase).

This shows that there are more taxis on the road but these taxis aren't driving as far as they were previously (Chart E2.3). Another observation is that the reduction in monthly kilometres occurred just after the 8% fare rise which occurred on 28 August 2008. This is perhaps reflective of the claim by taxi industry operators that fewer cabs are working two shifts on a 24/7 basis.

The data in [Appendices E.3 and E.4](#) show kilometres driven by taxis, per month in the respective areas. These figures have been calculated by multiplying the number of licences on issue during each month by the assumed average monthly kilometres. The figures show an increase in the total monthly kilometres travelled by around 10%, and more so by WAT vehicles.

It is not known whether the increase in the total monthly kilometres travelled has resulted in a similar increase in the number of hired kilometres. Some anecdotal evidence provided to DIER suggests that taxis may be travelling more dead (non-revenue) kilometres in tasks such as running to and from jobs and circulating in order to find available rank space. DIER does not have any data to verify these claims.

6.1.2 Impact of competition within the taxi industry and between taxis

The main areas of competition that have been identified by the review are internal competition between regular taxis and WATs, community cars and vehicles operated by organisations such as nursing homes, and other forms of public passenger transport.

Competition within the taxi industry

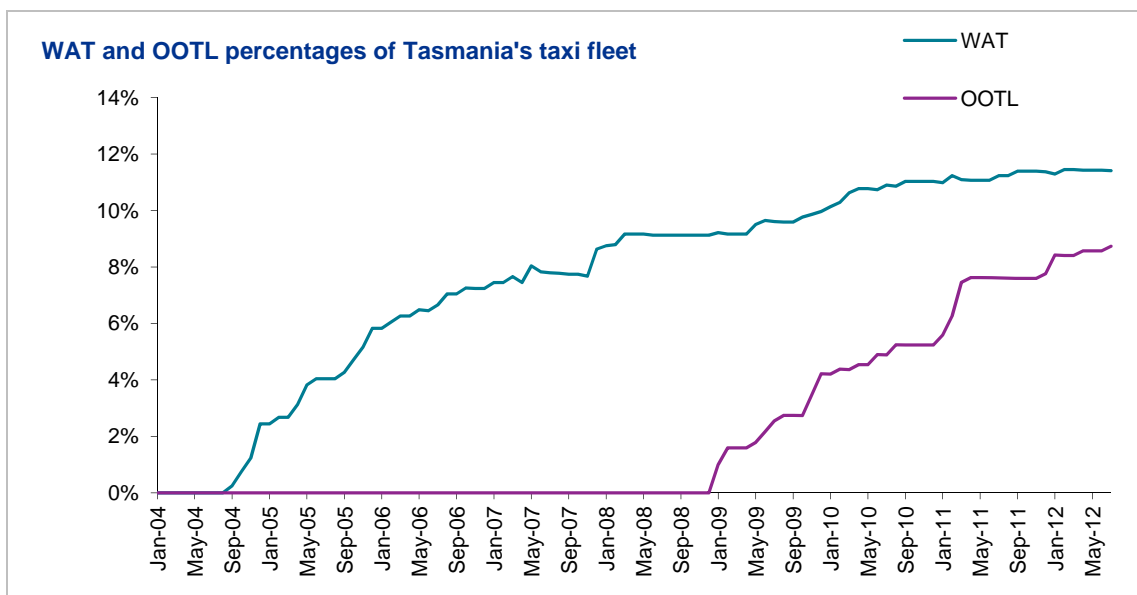
Internal competition between regular taxis and WATs has grown with the availability of WAT licenses. This is discussed in more detail later in this report, but in summary, a major concern for some drivers of regular taxis is their perspective that some WAT taxis are doing more lucrative regular taxi work and are sometimes choosing to not provide legitimate WAT services to people with disabilities. It needs to be noted that WATs are entitled to serve any taxi passenger and this entitlement is a critical requirement of the DDA – they cannot be a parallel taxi service as were Special Purpose Cabs – the precursor to WATs in Tasmania.

Since their initial release in 2004, the number of WAT licences in Tasmania has increased to become approximately 11% of the total taxi fleet. In recent times the percentage of WATs has reached a plateau since mid 2011, as shown in Chart 4, below.

This would tend to suggest that competition from WATs, at least over the last two years, has not become materially worse for operators/ drivers of regular taxis. Interestingly, it should be noted that the statutory lifespan of WATs is 10 years, which will mean that the first WAT taxis to enter the fleet in 2004, will soon be coming up for replacement. The taxi industry response to this will provide some pointers to the perceived relative viability of this service.

The data on the composition of the taxi fleets in the major networks in Hobart also shows that a number of established operators of standard taxis have also taken the opportunity to also operate WATs, thereby expanding the range of work they can undertake and diversify their revenue streams.

Chart 4: WATs and OOTLs as a percentage of the total taxi fleet



Source: Department of Infrastructure, Energy and Resources

Community transport

There is limited data available to inform the review about the scale and range of vehicles that broadly fall into the category of community cars. Through the consultation process, the review was informed by the taxi industry about the perceived growth in vehicles that could be attracting some work away from taxis.

Consultation with Community Transport Services Tasmania (CTST) found there are 36 organisations in Tasmania each offering a range of community transport vehicles from regular sedans up to 24 seat buses. Many of these are Home and Community Care (HACC) funded, or have been capital funded by the federal or State Government.

The total scale of the fleet is unknown, but for example, CTST has 66 vehicles distributed widely across Tasmania including locations such as Sheffield, Swansea and Stanley.

Metro and other limited passenger service vehicles

Public patronage of the state-run Metro bus services has increased by 8% in the period of 2003/2004 to 2011/2012 ([Appendix F](#)). This is an increase of 770,000 trips per year over the period. Metro patronage has dropped from 2010/2011 to 2011/2012 by 153,000 trips to a total of 10,397,000 trips per year.

In respect to limited passenger service vehicles, data from the State Government’s Motor Registry System indicates a total of 404 vehicles in the MAIB premium class 16 which covers Medium Passenger Vehicles (i.e. those used for the carriage of no more than 16 passengers).

Of these 404 vehicles, 64 (approx 16%) are 7 seats or less, putting them in the type of vehicle possible most likely to be undertaking similar work to taxis. The remaining 340 (84%) of the Class 16 vehicles feature seating capacities of between 8 and 16 seats and typically fall into the small bus category (e.g. Toyota Hiaces) operated by tourist operators, schools, community groups and the like.

6.1.3 Impact of external market factors

The review has considered a limited number of high level indicators of the impact of external market factors on the taxi industry. Statistics were gathered on visitors to Tasmania, visitors to Tasmania for convention/seminar reasons, the nights that these visitors spent in Tasmania, aircraft and passenger movements and Tasmania’s final economic demand.

Interestingly, the taxi industry generally considers that its largest cohort of users is the local resident population and, in particular, younger passengers in the 18-25 year old bracket and older passengers greater than 65. The age cohorts in between tend to be either more reliant on other drivers (parents and guardians) or are more independently mobile.

Notwithstanding, the taxi industry also benefits from visitors more generally, and attendees at conventions. This is mainly the case in Hobart, and to a lesser extent in Launceston.

Visitor numbers and convention delegates

Tourism Tasmania, Visitor Survey data in [Appendix G](#) shows the number of total visitors to Tasmania has decreased from 2008-2009 to 2011-2012 by approximately 5%. However, the data also points to an increase of 12,500 visitors in the last two years.

The transportation of convention delegates to/ from the airports and in/around the location of the convention has typically been a significant consumer market for taxi services.

Chart G.1, shows the number of visitors entering Tasmania for conference and seminar purposes. This follows a similar pattern to total visitor numbers, with an overall decrease of 5.4%, notwithstanding and increase of 4,500 visitors for this purpose from 2010-2011 to 2011-2012.

Both the visitor number and convention delegate charts show a minimum in the period of October 2010 – September 2011, perhaps indicating there could be some improvement in these markets in the near future.

Airport movements

Aircraft passenger movements in to Launceston and Hobart have both seen a steady increase from 1989 till 2010 (Charts G.2.1 and G.2.3) while these charts plateau or taper off from 2011. Launceston has seen an increase of 187.8% while Hobart has seen an increase of 300.9% over this time.

Total aircraft movements for these two airports fluctuate over this period with Launceston's total aircraft movements trending slightly down and Hobart's total aircraft movements trending slightly up (Charts G.2.2 and G.2.4). These two charts also show a decrease in aircraft movements from 2010 to 2011.

The expansion of the Hobart Airport's parking and the changes made to the pricing structure for parking since the redevelopment is also likely to have impacted on demand for taxis.

Local economic factors

The performance of the Tasmanian economy can be measured using a wide range of indicators. This review is not proposing to provide a comprehensive analysis of such measures. However, by way of indication, [Appendix G.3](#) provides a snap shot of a limited number of key economic indicators. In summary, the data shows:

- The seasonally adjusted final demand in Tasmania has dropped significantly from approximately 1.5% in late 2011 to -0.5% in March 2012 as can be seen in Chart G.3.1. This shows final demand trending below 0%, indicating a contraction in spending in the Tasmanian economy
- Employment growth in Tasmania has been negative for significant periods since 2008, and has been materially less than the remainder of Australia over that time, as shown in Chart G.3.2, and
- Chart G.3.3 shows that regional unemployment has particularly grown since 2011, with the North and North West regions being the most affected.

These charts point to an economy that has contracted over the last few years, which may have an adverse impact on the potential number and the disposable income of taxi users.

6.2 Matters raised in consultations

6.2.1 Impact of the current licence release arrangements

Most participants in the consultation process in Hobart and Launceston articulated their strong that the current licence release arrangements have had a negative impact on operator and taxi driver income for existing operators and drivers.

The main reasons offered was that the 'pie' (representing revenue available in the taxi industry) hasn't grown while the number of cabs on the road has grown. This has resulted in a decrease in operator and driver income because the 'pie' has to be shared among more people.

In addition, many industry participants commented on the difficulty attracting drivers to the industry due to the low income and the long work hours. This has resulted in drivers being more able to negotiate to drive 'single shift' cars meaning that get the sole use of the taxi for a

24 hour period, but may only drive half of that time. This means that drivers can work in the busy periods and return home in the less busy periods of the day without a time constraint set by working 12 hour shifts. This is claimed to be creating inefficiency for operators.⁶

Submission extract #3

I did work in the taxi industry as an owner driver for 2 years and was appalled to find that my average income was approximately \$12.00 gross per hour with some days as low as \$5.00.

What I found in the general taxi business was an incredible amount of oversupply. At times drivers were not earning enough to make ends meet. I have witnessed an incredible turnover of drivers which is attributable to the income available.

Differing perspectives were offered on the North West coast where the current licence release arrangements have not materially changed the status quo in the area, other than the recent OOTL issued to an operator in the Devonport taxi area.

That OOTL operator indicated an increase in takings for his new taxi compared to takings when driving for the network. This was considered to be as a result of finding market opportunities where demand was not being adequately met by the sole network servicing that taxi area.

Other participants in the North West forums indicated that taxi operator income was more likely to be affected by factors such as market downturn, competition and other factors outside the scope of this review such as increasing operating costs.

The review also considered written submissions, which reinforced the perspectives shared in the meetings. In a survey of taxi drivers conducted by John Campton⁷, 72% of respondents had suffered a decrease in income over the five year review period. The average decrease was 25%. 16% of respondents were earning the same amount but working longer hours and 8% had increased their income.

The survey also contained many stories regarding taxi drivers' lack of time with family, lack of sleep, marital issues and overall tiredness. The drivers in the survey worked an average of 67 hours per week. It was noted that bailee drivers are recognised as employees under Tasmanian Legislation⁸ yet do not have the basic rights of sick leave, annual leave, leave of any kind, superannuation, stable income and job stability.

In addition, the submission indicated measures being adopted in the taxi industry to minimise cost pressures. For instance, it was claimed that radio rooms and fleet operators can improve profitability by increasing radio fees and/or reducing/penalising driver income and passing fleet costs onto them. An example of this is drivers having to contribute their own worker's compensation insurance premiums.

Submission extract #4

The supply of taxis is well in excess of the demand required to allow a fair return to drivers, owner operator and fleets, from prices which are fair and reasonable to customers.

⁶ With such low income levels on offer, some in the taxi industry observed drivers are working one or two days a week and limiting their income to maximise their Centrelink benefit. The review has been advised that this matter was also raised as part of the 2006 Review and so, is not necessarily new behaviour.

⁷ According to John Campton, this survey, was a short, structured interview of 20 drivers

⁸ The Tasmanian Workers Compensation Act

Individual drivers and operators will not be financially viable without working extreme hours or resorting to unfair or substandard practices.

The release by government of additional plates into a market which is regulated by government, without any attempt by that government to inform new participants of the situation it had created, and was continuing to encourage, has exacerbated if not directly caused most of the problems currently being experienced. It would be completely unfair for government to now turn to market forces, competition, and business failures to correct the imbalance between supply and demand (market failure) which its policies and practices have created.

6.2.2 Impact of competition within the taxi industry and between taxis

The majority of views offered by the participants were that the current licence release arrangements have had a negative impact on competition within the taxi industry and between taxis and other forms of passenger transport. The main views offered by participants in the consultation process were:

- There has been a large increase in competition from community cars and other cars often subsidised by the Home and Community Care (HACC). These vehicles are provided by organisations such as the CTST, the Cancer Clinic' The Wattle Group in Launceston, Mersey Community Care, Red Cross, Rotary, West Tamar Community Car, Westbury Community Car, vehicles from group homes or institutions such as St Giles, and some nursing homes run their own vehicles to transport occupants around town.
- Coles and Woolworths are increasingly doing deliveries to homes that once relied on taxis to take people to go grocery shopping.
- A licence for a luxury hire car is only \$5,000 and can do similar work to taxi (except for not being able to accept hails or stand on ranks and can only accept pre-booked work) which dilutes taxi revenue to some extent.
- There has been an increase in competition for rank space between taxis and also with more of the larger WATs on the road using the ranks as well. This results in more dead kilometres for the drivers as they search for a rank to pull up on.
- The increase of licence numbers has been in WAT vehicles. These vehicles don't have to do wheelchair jobs if they choose not to and can take a large number of people that would usually fill two taxis.

Notwithstanding the general view that competition in the taxi industry and with other forms of passenger transport had a negative impact on operator and driver viability, some in the industry observed that competition has always been present in the taxi industry. Whether that is between taxis or between taxis and other forms of transport available to the public, the current licence release arrangements hasn't changed this industry reality.

CTST also expressed its belief that the distribution of its vehicles and its target market, mainly being over 65s, more often require longer medical related transport and other ancillary support services such as assistance with grocery shopping. This contrasts with taxi work that is more typically, short haul, social or work related transport. This contrast in target markets and services tended to suggest that CTST, and other similar organisations, are not a major competitor to taxis, albeit conceding that there could be some leakage from potential users of taxis at the margins, more so in the urban areas.

Submission extract #5

Community cars and illegal operators are two areas of competition having a considerable impact on taxi operator viability in the area. This isn't taken in to account in the taxi release arrangements...Community car services are cheaper through the use of volunteers. Prior to the introduction of these services a large part of their work was undertaken by taxis. Wynyard would be poorly serviced if the roster system weren't in place for the Co-Op due to this eroded market. The availability and impact of these services should be taken into account in releasing more taxi licences...Illegal operators are 'advertising' on Facebook offering "Des for Dollars" services meaning that they will be your designated driver for the evening in return for money. In a market place where illegal operators are eroding our market, the last thing we need is new legal operators.

6.2.3 Impact of external market factors

Participants in the consultation process generally viewed external market factors impacting the taxi industry largely in a negative manner.

Around two thirds of comments from these meetings indicated negative external market impacts while the remaining third indicated that market factors had not affecting the taxi industry at all. The main negative perspectives offered were:

- The Global Financial Crisis (GFC) has had a great affect on Tasmanian businesses and the general population which is the taxi industry's market. The disposable income that was once spent on taxis isn't available or is being spent in other ways.
- Taxi travel is viewed as a luxury item by the public and so is not a necessity. In times of financial hardship taxi travel is in the first group of spending items to be cut from the publics' budgets.
- Large contracts have disappeared from the taxi industry due to industry and government cutting costs. Examples of such contracts are Department of Veterans' Affairs, Cancer Clinics, the Blood Run for Red Cross, Nyrstar (Zinc works) overtime taxi policy, Cadbury, Wrest Point and Royal Hobart Hospital transport arrangements have also changed considerably
- Changes in Government departments' internal policies to say that taxis are to be used in dire emergencies only have meant that the public sector has gone from frequently using taxis to rarely, if at all.
- Large industry that usually spends considerable amounts on taxi fares have become bankrupt (Gunns) or scaled down their operations and/or spending in Tasmania
- Corporate traveller numbers have decreased as companies such as VEC Civil Engineering Pty Ltd, Caterpillar and Simplot Australia scale down operations in the area.

The two public meetings on the North West Coast and a meeting in Hobart viewed the external market as having a neutral effect on the taxi industry. It was suggested that some customers will catch a taxi regardless of market conditions, when transport is essential and the state of the economy is irrelevant to their requirements.

It was also observed that when the economy is flat, taxis can do better because families sell their second car to reduce running costs and instead, use taxis when needed. The rise in the number of fly in, fly out workers needing taxis for transport to and from the airports was also noted.

The taxi industry in Hobart also observed that cruise ships organise transport for sightseeing tours and activities before docking. Taxis are no longer permitted on the docks and the taxi rank has been moved out of sight of passengers disembarking from the ships, resulting in very limited patronage from this source.

Submission extract # 6

To date, no one has taken up one the new Owner Operated Taxi Licences that are made available in the Burnie/Wynyard area. The current release arrangements don't adequately take account of current economic conditions. If local economic conditions are stagnant or contracting the last thing we need is more licences being released. There is only so many dollars to go round and extra licences would definitely "dilute the mix". If the local economy is expanding then a case can be made for releasing more licences. It seems to be the case that we make more available each year simply because we have to. This has to be changed.

6.3 Assessment

The review has considered operator and taxi driver availability in terms of the potential impacts of the current licence release arrangements, competition within the taxi industry and with other forms of passenger transport and external market factors.

In respect to the *impact of the current licence release arrangements*, the review is inclined to conclude that there has been some adverse impact, more so in Hobart and to a lesser extent in Launceston. The decline in average monthly kilometres by taxis in these regions, coupled with the, albeit 'crude', analysis of resident population per licence tends to support the contention put by many in the taxi industry that incomes have fallen in these regions and the current licence release arrangements may have played some part in that outcome.

The relative contribution of the licence release arrangements (compared to other factors) cannot be quantified and a causal link between the number of licences and downturn in taxi driver incomes cannot be established with certainty, though some link is probable.

This is less likely to have been a contributing factor outside Hobart and Launceston, where fewer, if any licences have been issued, and other economic and competitive forces have been more of an issue.

The quantum of the impact of the current licence release arrangements in Hobart and Launceston cannot be estimated. It is conceivable that some more experienced and savvy operators/ drivers have been less affected than others. Some independent OOTL operators commented on having more than enough work, having established niche markets with regular clients/ contracts, simply using a mobile phone and business cards.

It is also the case that there is strong competition between the four major networks in Hobart, and one or more networks may be feeling more financial competitive pressure than others. This naturally flows through to operator and driver income in those networks and has, it is claimed led to some operators/ drivers switching alliances to other more attractive networks.

In respect to the *impact of competition*, the review considers there been some expansion in competition within the taxi industry through the release of WATs since 2004 and OOTLs since 2008.

This should naturally place the incumbents in the taxi industry under some additional competitive pressure, all other things being equal, especially in Hobart and to a lesser extent in Launceston, where the nearly all of those licences have been allocated. Outside of those areas, such as the North West coast, there is little competition between the taxis, which have tendered to be 'organised' through the cooperatives or radio rooms to meet a perceived level of demand. The recent release of an OOTL in Devonport casts into the question, the perception by the incumbent operators, that all demand was fully met.

The review notes that changes to the Taxi Act 2008 in relation to luxury hire car provisions made it more difficult for luxury hire cars to act as pseudo taxis, and the review understands there has been a consequential reduction in competition from luxury hire cars.

The review also notes that the introduction of WATs in 2004 replaced what were called Special Purpose Cabs, and so the WATs should generally have picked up legitimate WAT work that was never actually available to regular taxis. This however, does not provide a basis to underplay the taxi industry's concern about WATs avoiding legitimate WAT work in favour of work that could be undertaken by regular taxis.

The extent of competition between taxis and other forms of passenger transport such as community vehicles and other limited passenger vehicles is less easy to conclude, given the absence of centralised, industry wide data about the services that may cross over into traditional taxi work. The Motor Registry System points to there being up to 64 limited passenger service vehicles that are of a scale that may be in competition to taxis. The review considers that the types of passengers serviced and the nature of the services provided by community vehicles may differ to taxi users. However, anecdotally, the review considers there may have been some leakage of potential users from taxis to other such forms of transport, at the margins.

In respect to the *impact of external market factors*, the review considers it likely that the general down turn in the Tasmanian economy should have affected the taxi industry, like most other sectors in Tasmania, such as retail and construction. Unfavourable trends in conference delegates, visitor numbers, and other broader economic indicators tend to support this conclusion. Interestingly, total airport passenger movements in Hobart and Launceston, have generally grown steadily, but reached a plateau and declined slightly in 2011, suggesting this remains as good source of potential taxi users, all other things being equal.

Overall, the review considers that at least since 2008, taxi driver and operator incomes for many operators/ drivers in the Hobart taxi area may be between 10-30% lower than in the preceding years. This is a combination of a range of factors that have collectively all impact on the taxi industry concurrently including:

- The increase in the number of taxi licences, including both OOTLs and WATs
- The general downturn in the Tasmanian economy as part of the Global Financial Crisis, and
- The continuing growth and expansion of competing forms of alternative modes of passenger transport.

The impact of each of these factors cannot be determined separately, but the review can conclude that each factor has played some part in contributing to the more challenging financial operating environment the industry is experiencing.

Notwithstanding this general industry-wide effect, the review acknowledges there may be some savvy operators/ drivers who have established client bases and relationships either within a radio network or operating independently, who have not experienced any downturn to the same degree. This was drawn out in the survey, where 8% of the taxi driver respondents reported that their income had risen. This may be illustrative of innovation that can be found in some pockets of the industry, which may, more broadly be slow to respond to competitive or market forces.

The current licence release arrangements have had a relatively smaller impact in areas outside Hobart and to a lesser extent in Launceston, where the take-up of OOTLs and WATs has been limited. However, those areas would still appear to have been affected by the depressed economy and some level of growth in competition.

7 Wheelchair accessible taxi services

This section provides an assessment of wheelchair accessible taxi services, to the extent required by the Terms of Reference. This section therefore responds to the Item #4 of the core terms of reference.

7.1 Matters emerging from analysis of relevant data

7.1.1 Relevant data analysis

The number of WAT vehicles

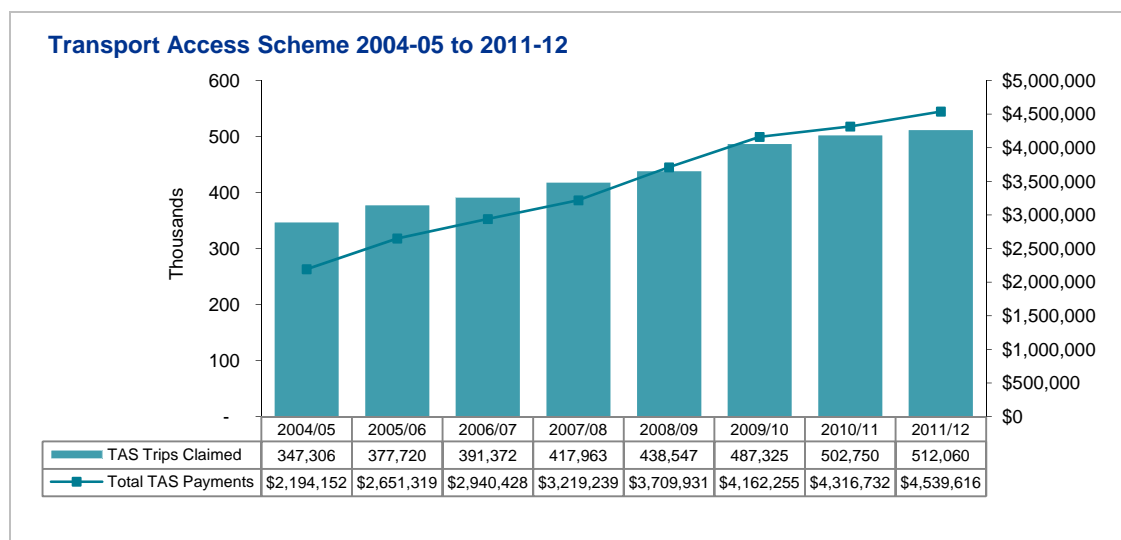
As noted earlier, there are currently 63 WAT licences in Tasmania – 44 in Hobart, 17 in Launceston, and one each in Devonport and the Huon Valley. There are no WAT licences operating in any other taxi area, suggesting that the cohort of people with disabilities in other more remote regions of Tasmania are not able to receive WAT services through the taxi industry. However, equivalent services may be available from organisations such as, but not limited to CTST, which, for example, operates 8 wheelchair accessible vehicles in its fleet of 66 vehicles.

As noted earlier, since their initial release in 2004, the number of WAT licences in Tasmania has increased to become approximately 11% of the total taxi fleet. Since mid 2011, the percentage of WATs has reached a plateau at around 11-12% of the taxi fleet in Tasmania.

Transport Access Scheme (TAS)

The TAS provides government funded subsidies for passengers requiring taxi transport more generally, including WAT services. The chart below provides a snapshot of TAS claims.

Chart 5: Transport Access Scheme

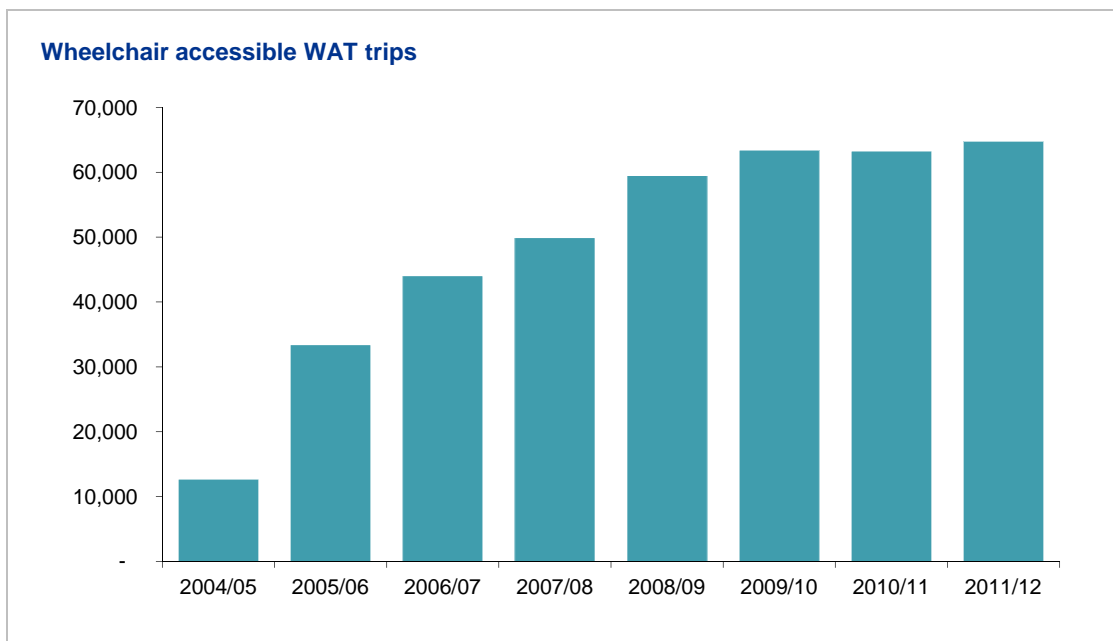


In summary, the chart above shows TAS trip claims have increased by 47% and TAS payments have increased by 107% over the eight year period. This may suggest some increase in patronage/ utilisation of WAT vehicles, though it should be noted that TAS passengers are able to be carried in regular taxis as well, so there is not a direct correlation between increased TAS passengers and increased WAT passengers. In addition, the chart indicates that average TAS payments have increased from \$6.31 to \$8.86. This is considerably less than the maximum subsidy payable under TAS of \$25, confirming WAT fares are typically short in length.

The number of WAT trips

The Department has been able to provide the review with further insight into the nature and variability of demand for WAT services. Chart 6 below presents the number of wheelchair trips provided by WAT taxis (as opposed to non-wheelchair accessible passengers using WAT vehicles). This chart suggests that the number of such trips initially grew with the expansion of the WAT fleet, but has tended to plateau at around 63,000 trips over the last three years, when the number of WAT vehicles has also started to plateau. This would also tend to cast some doubt over the contention that WAT vehicles are increasingly taking the work of regular taxis as discussed in the preceding section.

Chart 6: Wheelchair trips using WATs



Source: Department of Infrastructure, Energy and Resources

Chart 7 below provides further insight into the utilisation of WAT vehicles. The Chart is based on the swipe card data from 45 of the 65 WATs in operation in Tasmania and shows the number of wheelchair trips as a percentage of total trips undertaken by the sample of 45 WATs. The Chart shows the use of WAT for wheelchair related work varies significantly from approximately 5% up to almost 90%. Furthermore, many of the WATs with the lower percentages of wheelchair work are in the Hobart taxi area, adding support to the perception that WATs are not being used for wheelchair work. This would also tend to suggest that there is

7.2 Matters raised in consultations

The first limb of this part of the Terms of Reference requires the review to consider whether limitations on demand for WAT services, or other institutional factors, are creating a legitimate barrier to some WAT operators undertaking a significant amount of such work.

The taxi industry broadly holds the view that there are more than enough WATs operating in the urban areas, and all of these are operating well under capacity in so far as their primary focus of providing services to people needing wheelchair accessible transport.

Representatives of regular taxis in the industry were united in their view that the under-utilisation of WATs was the main reason for WAT taxis increasingly doing work that could be undertaken by regular taxis. Such industry representatives pointed to:

- The relatively attractive WAT licence arrangements that saw a reasonable take-up of WATs in the early to mid 2000s, but as the financial viability of that service has diminished, WATs are now doing more regular taxi work
- WAT operators, as part of networks generally only doing say 10-30% of genuine WAT work
- Some WAT taxis operating exclusively as mini-bus vehicles focusing solely on the provision of services to larger groups, without undertaking any WAT work whatsoever
- The poor viability of the WATs is likely to result in fewer WATs staying in the industry once the vehicles reach their allowable age limits
- Wheelchair passengers being generally very tolerant people and are reluctant to complain as they rely on the driver and if an upset driver turns up the next time they make the journey home worse

The consultations also allowed the taxi industry, WAT users and advocacy groups for people with disabilities to comment on other barriers and issues surrounding WATs:

- Some other competing vehicles, including community transport vehicles may be attracting some potential WAT users from WATs, perhaps due to the lower cost of fares. For example, the State Government's Social Inclusion Commission has made grants available to organisations to procure such vehicles. Users noted that such vehicles are not subject to meeting the same standards as WATs.
- From a WAT user perspective, a majority would pre-book a WAT several days in advance of the trip in order to ensure the booking is honoured. Response times under this circumstance are generally acceptable.
- There are times when a WAT is unavailable. This may be very late at night and more often for unplanned/ spontaneous trips rather than pre-booked trips.
- There is a need for dedicated drop-off and pick up points for people with disabilities in the major urban areas. The WATs take up more space and a longer time for the passenger to embark/ disembark. Since there is now a shortage of regular taxi ranks in Hobart, some WAT drivers commonly use loading zones, especially for drop-offs. This is often known to create issues with load carrying vehicles.

- Some people with the need for a WAT, who also may have a foldable wheelchair opt for a regular taxi because they may be sufficiently able bodied to embark/ disembark from a regular taxi and their foldable wheelchair can be accommodated in the boot or back of a wagon. Some participants commented on the preference of some potential WAT users to avoid WATs due to the social stigma of being associated with such vehicles.

Submission extract #7

Most nights, despite re-assurance by responsible operators, there aren't any WAT vehicles operating. On the nights they do operate, (most) drivers refuse to do wheelchair jobs as they are generally short jobs and take a long time, opting to do the tariff four passenger fares.

Drivers are reminded of their obligations when driving these vehicle but offer many excuses for not doing the job - "NO I won't do it, you can't make me", "No I am too far away, not worth doing", "Find someone else", "I work for myself; you can't make me do it", "I have a booking so I can't do it. When asked whether it is wheelchair or passengers, they reply passenger. They still refuse to do the job and will log themselves out of the computer system", "Wheelchair straps are faulty, cannot do this job", "I haven't been trained to do wheelchair work".

There are some horrific reports from passengers including instances of passenger in wheelchairs not being strapped in, just sitting there as the driver is too busy with club/hotel fares.

This is not representative of all WAT drivers. This part of the industry needs urgent attention and monetary penalties for drivers who do not comply.

7.3 Assessment

On the basis of consideration of relevant data and consultations, the review could deduce that the introduction of the WAT reforms in 2004 has significantly improved access to transportation for people with disabilities. This is evidenced by the increase in WAT fleet numbers, the increase in wheelchair WAT trips, and to a lesser extent, the increase in TAS claims.

However, it would appear that the take up of WAT licences and the number of wheelchair WAT trips has reached a plateau and there are still large parts of remote/ rural Tasmania that are not serviced by WATs. Organisations such as CTST may be filling this void to some extent, but the review is unable to determine the scale of the gap in WAT services.

Furthermore, there is a deal of qualitative data to suggest that the current WAT fleet is not adequately servicing the needs of potential WAT users, and as such, there is not an apparent limitation on demand for WAT vehicles that should create a barrier to some WAT operators undertaking a significant amount of such work.

Rather, it would appear that there are other operational barriers or absence of incentives that may be attracting WAT operators from focusing on the provision of WAT services and instead pursuing other maxi-taxi type work or work that is in direct competition to regular taxis. Data presented by the Department showing many WATs are only used for wheelchair related services for less than 20% of their trips would tend to support the perspectives of WAT users and their advocates.

Barriers appear to include the relative difficulty of servicing WAT users (the process of loading, securing and unloading passengers) and the relatively short lengths of WAT trips. The trip subsidy offered may not be sufficiently attractive for some WAT drivers to focus on this service.

8 Achievement of policy aims

This section provides an assessment of the current licence release arrangements, in reference to the availability, reliability and quality of taxi services. This section therefore responds to the item #1.4 of the Scope's cope elements.

In compiling this section, much of the analysis is drawn from preceding sections of the report, and accordingly, this section tends to apply that analysis in consideration of the objectives, rather than bringing additional analysis to the evaluation, except where required.

8.1 Owner-operator/standard taxi (OOTL) licences

8.1.1 Objective #1: Greater opportunities to become established in the industry

Provide greater opportunities for taxi operators and drivers (existing and new) to become established in the taxi industry as taxi licence holders, rather than investors with no interest in actually operating a taxi business.

Participants in the consultation process forums generally agreed that the objective had been met to some or to a large extent. Participants pointed to a range of factors to support this perspective, centring on the observation that since the introduction in the new legislation in 2008, 53 OOTL plates had been taken up by new owner operators.

Some of the observations passed that would tend to suggest that this objective has not been met to the greatest extent possible include:

- Some would-be OOTL operators experience difficulty sourcing finance to purchase the licence and purchase and equip a vehicle. In Hobart, those capital costs may amount to around \$80-\$90K
- Some number of operators that had succeeded in securing an OOTL have since transferred the licence to another operator due to the challenge of making a reasonable income
- The uptake of OOTLs outside of Hobart, and to a lesser extent in Launceston has been negligible

On balance, the review considers this objective has been met to some extent.

8.1.2 Objective #2: Improved returns to the licence holder

Facilitate improved returns to the licence holder, thereby providing the opportunity for them to reinvest more resources in the enhancement of their taxi service, including the potential for improved driver remuneration to taxi drivers

All taxi industry participants consider that this policy objective had not been met from a whole of industry perspective. All attendees:

- elaborated on the financial challenges facing operators and drivers to earn reasonable living, which for many operators would be around \$10 per hour

- the tight financial operating environment for the taxi industry had meant that reinvestment of more resources into the enhancement of the service and improved driver remuneration had not been possible in recent years and was not likely to be possible in the foreseeable future
- the lack of reinvestment was resulting in the gradual deterioration of the taxi fleet and a reduction in driver service levels and standards.

On balance, the review considers this objective has not been met at this time from a whole of industry perspective. However, this is not likely to be solely a consequence of the licence release arrangements. Rather, other economic and competitive forces have also contributed to this assessment.

In addition, the review notes that some OOTL operators may be able to derive improve returns compared to being a lessee of a PTL, based on current PTL licence and lease costs, and all other things being equal. The Department notes approaches by Hobart based PTL lessees seeking to make the transition to being OOTL owners.

8.1.3 Objective #3: Opportunity to access a new taxi licence

Provide a predictable, regular opportunity to access a new taxi licence, whether to enter the industry or expand an existing operation.

The taxi industry generally agrees that the objective had been met to a large extent. Participants acknowledged that the annual licence release arrangements, by way of the public tender/ expression of interest process ensured there was a mechanism to access a new taxi licence on a regular basis.

The Department has also assembled data for the review that examines the duration between issuing operator accreditation and issuing the OOTL. This is shown in Chart 8 below.

This was requested by the review to assist as a pointer of the extent to which new OOTL owners are new to the taxi industry and could be perceived as naive or uninformed, compared to more experienced OOTL owners who have been in the taxi industry for a longer time and are electing to become further committed to the taxi industry by investing in an OOTL (and perhaps a vehicle).

Chart 8 shows that of the 58 OOTLs issued, 24 (41%) of the applicants had been accredited for less than 12 months, a further 12 (21%) had been accredited for 12-24 months and 22 (38%) had been accredited for greater than 24 months.

This suggests that the distribution of applicants who could be considered to be inexperienced (less than 12 months) and those who could be considered to be experienced (greater than 24 months) is relatively evenly distributed. New OOTL licence owners are also likely to include new entrants to the industry as well as those moving from leasing PTLs to OOTLs or expanding the vehicle fleet with OOTLs.

The review concurs that the current legislation provides the opportunity to access a new taxi licence on a regular basis, and so, this objective has been met to a large extent.

total taxi fleet initially increased and has been maintained at a level of approximately 11% for the last 2-3 years.

However, Chart 7 shows a significant variation between operators/ drivers of WAT vehicles, actually using those vehicles for wheelchair work, suggesting there is considerable capacity in the existing fleet for more wheelchair work to be undertaken.

Given the fact that the scale of the WAT fleet has at least been maintained, but from a user perspective response times and service quality is variable, since many WATs are not providing sufficient focus on delivering legitimate WAT services, on balance, the review considers this objective has been met to some extent.

8.2.2 Objective #2: Compliance with the DDA 1992

Ensure adequate means for networks' compliance with the Disability Discrimination Act 1992 obligations.

The operators of the main networks indicated that were generally aware of their compliance obligations under the Disability Discrimination Act 1992. These obligations were thought to mainly relate to the need for service levels, comparable to regular taxis to be achieved, as measured by response times.

The major networks indicated that WAT response time was one of the measures that was periodically tracked to gauge compliance and all networks believe they are meeting WAT compliance obligations.

Advocates for users of WATs and some WAT users indicated general levels of satisfaction with the performance of WAT taxis in terms of response times. That said, users also pointed to:

- Their inclination to book WAT taxis several days in advance of their need for the service to better guarantee the WAT would arrive when required
- There are some times of a day or night when a WAT could not be booked at short notice as these were simply unavailable
- Issues with vehicle quality and driver skill and capability that tended to suggest that some users of WAT vehicles are at risk of receiving a sub-standard service, even if the vehicle response time is reasonable.

On that basis, the review considers that this objective has been met to some extent, but there is scope for improvement.

8.2.3 Objective #3: Expand the WAT fleet to regional areas of Tasmania

Expand the WAT fleet to regional areas of Tasmania, through (i) the relaxation of initial vehicle standards in those taxi areas deemed to be 'remote'; and (ii) the introduction of provisions enabling operators of standard taxis to use wheelchair accessible vehicles in areas where no WAT service is operating

Industry participants and WAT advocacy groups were confident that the policy initiative had little, if any impact in expanding the WAT fleet throughout regional areas of Tasmania, and so

was not met. All participants noted the absence of many WATs outside of the Hobart and Launceston was evidence that these initiatives had no effect, albeit that WAT licences have been issued in Devonport and Huon.

It was further noted that operators in the industry were generally not aware of the existence of these policy initiatives and were unsure how they had been promulgated through the taxi industry and community more generally.

The review considers that this objective is substantially not met.

8.2.4 Objective #4: Replace WAT vehicles with substitutes as required

Introduce arrangements by which WAT vehicles could be replaced with substitute vehicles to address temporary operational problems

Industry participants and WAT advocacy groups again observed that this initiative had little, if any impact, and so, this objective was not met. All involved in the consultation process could not point to any circumstances where these arrangements had been implemented in practice.

The review would concur that this objective is substantially not met.

8.3 Assessment

In respect to the policy objectives set in respect to the current licence release arrangements for regular taxis, the review considers the objectives #1 and #3 that sought to provide greater opportunities for new entrants to access the industry have been met to a large extent. The current arrangements do provide a predictable and regular method for licences to be released and have tended to attract existing or new owner operators to the OOTL licences.

Conversely, the current licence release arrangements have not improved returns to the licence holder, and so, there is no evidence of reinvestment in the industry or improved driver remuneration to taxi drivers. Accordingly, objective #2 has not been met at this time.

In respect to WAT vehicles, the review found that some of the stated objectives and various supporting measures that had been put in place to encourage and keep more WATs into the industry, with a focus on doing WAT work had been met to some extent, and others have not been met at this time.

9 Conceptual regulatory models

This section provides an overview of the conceptual regulatory models that emerged from our research into arrangements adopted in other jurisdictions. This section therefore responds, in part to item #2 of the Scope's core elements, which required this review to **identify alternative licence release arrangements that may improve policy outcomes and provide detailed comments on issues in respect to the alternatives that are examined.**

In order to develop this section of the report, we have drawn on content from the Fels review of the Victorian taxi industry. As part of that review, Fels examined the spectrum of alternative approaches that have been adopted in Australia and internationally.

In accordance with the agreed approach, we have drawn on that research rather than undertake new additional research in preparing this section of the report.

9.1 Spectrum of alternative approaches

According to Fels, there is no single 'best practice' model for regulation of taxi and hire car services. Different objectives are set and a variety of approaches adopted depending upon the political, spatial and demand characteristics of each place, as well as the general level of public transport services provided and extent of private vehicle ownership.

Essentially, there are two basic visions for taxi regulation: a restricted or 'closed entry' model and a liberalized or 'open entry' model. These visions frame the discussion about regulatory reform, with most of the approaches adopted in other jurisdictions falling somewhere along the regulatory spectrum between these two extremes.

9.1.1 Option 1: Closed or restricted entry

Closed or restricted entry models involve government restrictions on the number of taxi vehicles allowed to operate in the taxi market (beyond any restrictions implied by safety or other considerations). The number of licenses is restricted and additional licenses are never issued or only issued periodically on an ad hoc basis or according to a predetermined demand formula.

Fels notes that a quantity restriction on licenses is one of the most common forms of entry restrictions in taxi market worldwide. All states and territories in Australia restrict the quantity of taxis permitted to operate, as do many international jurisdictions, including many cities throughout North America and Europe.

The rationale for quantity restrictions is often advocated as a means to correct for 'excess entry', stabilize driver incomes, control vehicle standards and deal with congestion and pollution.

Fels goes on to report that in restrictive markets, the regulator is usually highly prescriptive when enforcing taxi regulations and monitoring taxi services. For example, the role of government in the more restrictive markets, such as New York City and some other Australian States and Territories, is to control the number of licences via licensing regimes, set fares and prescribe quality and safety standards.

The evidence from places that have persisted with highly restrictive entry to taxi markets is summarised in Table 3 below.

9.1.2 Option 2: Open entry

Open entry markets have no restrictions on the number of licences, other than those that are required to fulfil minimum criteria related to service standards. Fels notes that the more well-documented examples of open entry regimes include Ireland, New Zealand, Sweden, the Netherlands and Singapore.

The evidence from places that have opted for open entry to taxi markets is summarised in the Table below.

Table 3: Advantages of an open entry regulatory model

Advantages of open entry	Disadvantages of closed entry
<ul style="list-style-type: none"> • Generally, an open entry model offers a more dynamic long-term framework within which an industry can grow and expand: • Licence values tend to be close to zero in an open market, undermining the market power of incumbents. • Greater service differentiation occurs, with more incentives to provide the services consumers want. • There is the potential for fewer barriers to price competition, as there are no licence restrictions bolstering artificially high prices. • With no risks to licence values to take into account, and greater competition, there are more incentives for innovation and experimentation. • Regulators can focus their efforts more on ensuring the safety of drivers and passengers, and on improving service standards, rather than regulating the number of licences in the market. • Drivers have opportunities to become operators, giving them a greater stake in the industry, a long term career path and greater incentives to improve service quality. 	<ul style="list-style-type: none"> • Closed entry models tend to be slow to adapt to changing circumstances. Because incumbents are protected at the expense of new entrants, the industry develops a strong interest in maintaining the status quo and becomes increasingly dependent upon regulation to underpin its survival. • Over a period of time, the industry starts to wither and become less viable, as there is little hope of expanding the taxi market or increasing taxi occupancy rates while those industry players who are protected by regulation look first to secure their own interests. • License values keep rising, as the new supply of licences rarely keeps pace with demand. • Competition is highly restricted to protect licence values, including zoning restrictions and restrictions preventing hire cars from competing too closely with taxis. • Innovation is stifled, because new ideas, services and technologies may also encourage competition (and threaten licence values). • Regulation becomes increasingly intrusive in order to improve or maintain service quality, because insufficient competition and market incentives exist to naturally force industry participants to improve quality. • Despite providing the on-the-ground services, drivers become marginal stakeholders in the industry, poorly paid and with few prospects of owning a licence or becoming long-term industry participants. This marginalisation gives them few incentives to improve service quality.

On balance, the documented advantages of open entry and the disadvantages of closed entry point to support for an entry model that is more inclined to the ‘free entry’ end of the spectrum.

9.2 Trends and key lessons

An extract of the key trends and lessons learnt from that inquiry’s review of taxi industry regulation in other jurisdictions in Australia and overseas is presented in [Appendix H](#).

In summary, the Fels inquiry found, there is an international trend towards relaxation of regulatory controls that is consistent with open entry, setting maximum fares and an emphasis on improving driver and vehicle quality. In this context, while all systems involve regulation, the role for government and areas for regulatory focus vary widely between the highly restrictive and more open schemes.

In markets that have removed controls on entry to the taxi market, entry has usually been much greater than anticipated at the time of entry relaxation. This may reflect a number of different factors, including a significant level of unmet demand, fares being set too high and over-optimism by drivers who want to become operators.

Based on available information, the inquiry’s view is that closed entry systems offer no discernible benefits over open entry systems in terms of better service quality or better remunerated drivers, but they have fewer taxis and likely higher levels of unmet demand.

Generally, while the immediate aftermath of entry liberalization can be disruptive, the availability of taxis, service quality and the range of services offered improves over time, benefiting consumers, provided quality, safety and fare setting issues are dealt with appropriately in the new environment.

9.3 Other ‘Hybrid’ models

Fels also notes that *‘even in less restrictive markets, specifically those with deregulated entry restrictions, governments still play a role in regulating the taxi industry. However, the role of government in these regimes is less focused on regulating the ‘static’ taxi parameters, such as quantity and fare controls, and more focused on regulating quality and safety outcomes’*.

Fels distinguishes between quality and safety standards and quality and safety outcomes. *Standards* can be highly prescriptive, particularly in relation to vehicles, and may cover such things as vehicle types, size and age. These standards are very common in restricted taxi markets that maintain quantity controls.

Outcomes can be thought of as something broader, where the specifics of the services and safety controls are left to the industry participants, with only broad quality and safety outcomes guided by the regulator.

The observations passed by Fels give rise to the presentation of conceptual, and high level regulatory options in the following Table.

Table 4: Conceptual regulator options

Attribute regulated	Restricted	Hybrid models	Open
Fares	✓	✓	✗
Licence release arrangements	✓	✓	✗

Attribute regulated	Restricted	Hybrid models	Open
Standards	✓	✗/✓	✗
Outcomes	✗	✗/✓	✓

9.4 Assessment and implications for the taxi industry in Tasmania

The foregoing discussion from the Fels Inquiry, and having regard to the current taxi industry regulatory arrangements in Tasmania suggests:

- there is a trend from restricted to more open regulation of the taxi industry
- between those ends of the regulatory spectrum, there are hybrids that reflect a role for government in differing attributes of the regulation of the taxi industry
- it is more common for governments to have a role in the regulation of fares, which is reflective of the costs of running taxis, rather than the demand for taxi services

Regulation of the taxi industry in Tasmania could currently be characterised as one of many possible hybrids, in that:

- Fare levels are analysed by the Office of the Tasmanian Economic Regulator, for the Minister to set into regulation
- Licence release arrangements
 - for regular taxis, are controlled by the annual tender program for OOTLs, which sets a maximum number that can be released and the reserve price at which the licences will be offered
 - for WAT taxis, are less controlled, in that anyone wishing to become a WAT operator can do so at any time without payment of any licence fee, providing certain personal characteristics (police background check and medical check) are met and an appropriate vehicle is purchased and fitted out
- Standards are set and maintained by
 - Government and the taxi industry co-funding/ conducting training courses for new taxi driver entrants
 - Operators funding the 6-monthly programmed inspections
 - The annual taxi licence administration fees funding random inspections conducted by Transport Inspectors
 - Government prescribing age limits and maximum kilometre limits for vehicles

The previous sections of the report concluded the current licence release arrangement have had some unintended adverse impacts on the taxi industry for some operators and service levels form some taxis users. In addition, a number of the current policy objectives have not been met to the fullest extent possible.

Furthermore, this section of the report has reported a more general trend to less rather than more government regulation, with increasing focus now on service standards. However, this review is not inclined to the view that a move to fully open licence release arrangements would deliver improvements to industry performance and customer outcomes.

Rather, this review has found that the current licence release arrangements has facilitated the uptake by the industry, of both wheelchair accessible and regular taxi licences into a flat market that has not been able to fully absorb the increase in taxi numbers. This is mainly the case in Hobart and to a lesser extent in Launceston¹¹.

This may have had an unintended adverse impact on operator and driver viability, for some in the taxi industry. This may in turn, have had some consequential impact, at the margins on service levels to customers, attraction and retention of quality drivers and vehicle standards.

Accordingly, since this review does not find in favour of further deregulation of licence release arrangements, consideration needs to be given to the policy levers or sub-options that can be used in a 'hybrid' model to influence the number of taxi licences available to the market.

The next section identifies and evaluates some options to reform the current licence release arrangements.

¹¹ Since 2006, only 1 OOTL and 9 WAT licences have been issued in Launceston

10 Identification and evaluation of alternatives for OOTLs

This section identifies alternatives to reform the current licence release arrangements and provides an assessment of the alternatives.

These alternatives have been shaped by the previous section that discussed the spectrum of regulatory options and concluded that a ‘hybrid’ model is appropriate for the Tasmanian taxi industry. That is, neither fully open (i.e. taxis licences can be accessed at any time) or fully closed (i.e. taxi licences are not accessible) are not options that this review is inclined to support under the current circumstances in the Tasmanian taxi industry.

Within the ‘hybrid’ models, are a range of ‘policy levers’ that can be varied by government to achieve policy outcomes.

This section therefore responds to item #2 of the Scope’s core elements, which required this review to identify alternative licence release arrangements that are likely to improve policy outcomes and make recommendations as to any reforms that should be considered by DIER and:

- Provide detailed comments on issues in respect to the alternatives that are examined
- Assess the degree to which any potential alternatives will align with the overall policy objectives of the existing legislation

In order to address this element of the Terms of Reference, this section focuses on regular taxis and wheelchair accessible taxis have been reported separately in the next section.

10.1 Alternatives identified from review of other jurisdictions

10.1.1 Comparison of licence release arrangements

The Table below presents a summary of the alternative licence release arrangements being proposed in NSW and Victoria, compared to the current arrangements in place in Tasmania. The taxi industry in those jurisdictions has been subject to detailed review in recent times and so, the emerging proposals from those inquiries could be regarded as contemporary for the purposes of this review.

Table 4: Comparison of Tasmania, proposed NSW and proposed Victorian licence release arrangements

Attribute (‘levers’)	TAS	NSW (proposed)	VIC (proposed)
Licence availability	Annual tender release	Annual tender release	Anytime
Reserve price	Prescribed by taxi area	No reserve	Prescribed by taxi zone
Number of licences	Set by formula in legislation	Set by modelling of economic factors	Not prescribed
Timing of payment for licence	Once off on entry	Paid annually	Paid annually

Attribute ('levers')	TAS	NSW (proposed)	VIC (proposed)
Limit on numbers to any party	No limit	No limit	No limit
Restrictions on access to licences	Needs to be an accredited operator	Available to anyone – not just drivers	

The key points to draw from this limited, but recent and relevant comparison are:

- All these models retain some form of government restriction, but it is clear that the proposed Victorian model is at the more 'open' end of the spectrum of options
- NSW and TAS both restrict supply, but use different methods to set the number of licences
 - Tasmania currently restricts supply by way of formula (5% of the current number of licences must be made available) and a minimum reserve price by taxi area
 - NSW currently and proposes to continue to restrict supply by reference a formula that has regard to broader economic factors, but does not set a reserve price
- Both NSW and Victoria offer an annual payment for the taxi licence, whereas in Tasmania, the tendered fee is paid once up front in order to secure the licence, so that in effect, the tenderer need to source the funding to procure the licence.

Inspection of the Table above suggests there are some alternative arrangements that could be considered for the Tasmanian taxi industry.

10.2 Alternatives and related matters raised in consultations

In conducting the meetings, publicly forums and receiving written submissions, the question as to what changes, if any should be made to the licence release arrangements for OOTLs.

Participants in the consultation put forward several alternatives that were generally around the theme of modifying the current licence release arrangements to limit the potential for new OOTL licences to become available unless a need could be justified. Suggestions included:

- Discontinue the release of OOTLs as there are more than enough licences now available relative to demand
- Amend requirement that 'licences must be made available' to 'licences may be made available' to allow flexibility government to consider the need
- Set a higher reserve price so that it is more difficult to afford to fund the purchase of the OOTL licence
- Consider the need for licences by reference to some indicators or formula that has regard to factors such as, but not limited to:
 - Population changes and by implication the number of taxis licences
 - Taxi response time and other industry data, by region, time of day
 - Income earned by taxi drivers, that equates to a minimum of \$20 per hour

- Recognise that WATs are increasing doing regular taxi work and in considering any formulae, WATs should be counted as a regular taxi
- Recognise the impact of other forms of completion to the taxi industry and, where possible have regard to that competition such as Community Transport Vehicles
- Doubling of fees on licences held by investors, with funds above normal fees to be put into a buy-back scheme for PTLs. This would need to be administered by an independent panel.

In terms of the practical implementation of these suggested alternatives, some participants noted:

- Reliance on taxi industry data to evaluate performance will require the radio networks to participate and at the moment, there is no mandate for their involvement in such an exercise
- Independent operators, unaligned to networks may have difficulty providing complex vehicle performance data such as response times
- Any industry data should be commercial-in-confidence
- The government should engage an independent organisation to gather and assess any economic or industry data

Notwithstanding that almost all industry participants in the consultation process strongly expressed a need for change to the current arrangements, a small number of new OOTL owners or would-be OOTL owners (currently driving and/ or leasing a PTL) did not want there to be any change to the current licence release arrangements for OOTLs.

Rather, the current annual release process was regarded as an opportunity for them to become established in the industry as an owner/ driver. Such would-be OOTL owners were optimistic about the future, despite having worked in the taxi industry when times have been tough.

Though this group of operators was comparatively few in number, the review considers this perspective serves to partially rebalance the view of the many existing operators who freely contributed to the review though the consultation process, but who may arguably benefit by seeing greater restrictions on entry into the taxi industry.

10.3 Consideration of the policy choices

10.3.1 Licence availability

This policy lever compares the options of conducting an annual tender with the option of releasing licences at anytime. The Table below summarises the advantages and disadvantages/risks of these options.

	Annual tender	Release anytime
Advantages	<ul style="list-style-type: none"> • Predictable annual process that the market can prepare for • May be more easily administered by government on an annual basis 	<ul style="list-style-type: none"> • Available to the market when the market dictates

	Annual tender	Release anytime
Disadvantages/ risks	<ul style="list-style-type: none"> • Risk that would-be buyers have to wait for an annual process • Risk that potential buyers may miss out on a licence if the market is oversubscribed 	<ul style="list-style-type: none"> • Increased risk that licences may be taken up when demand is not sustainable

*On the basis of this assessment, on balance, the review is of the opinion that there is **not** a compelling case to change from the current annual licence release arrangement to a model that would make licences available at any time.*

10.3.2 Reserve price

This policy lever compares the options of setting a reserve price by taxi area against the option of setting no reserve. The Table below summarises the advantages and disadvantages/ risks of these options.

	Set by taxi area	No reserve
Advantages	<ul style="list-style-type: none"> • Recognises regional differences 	<ul style="list-style-type: none"> • Allows market to determine the price payable
Disadvantages/ risks	<ul style="list-style-type: none"> • Risk that reserve may be too high and so, will deter new entrants • Risk that reserve may be too low and so, will attract new entrants when demand is not proven 	<ul style="list-style-type: none"> • Risk of increased number of taxi licences at lower costs • Risk of licences trading at a wide range of prices

On the question of modifying the current reserve price, the review notes that these were the outcomes of discussions between representatives of the government and the taxi industry and were struck at a figure approximately equivalent to half of the prevailing PTL market price at that time.

On that point, the review would observe that there was no particular ‘science’ in arriving at those reserve prices and that market prices of PTLs can and have varied over time, while the reserve prices have been fixed.

Consultations with industry have also found there to be considerable disquiet about there being two values for licences (PTLs and OOTLs that in Hobart for example cost say \$120K for a PTL and \$60K for an OOTL) that, in practical terms, bestow on the owner, the same rights and earning capacity, yet have vastly different costs. Notwithstanding this perspective, the review is clear that PTLs and OOTLs have significantly different features. For instance, PTLs can be leased, whereas OOTLs cannot. Furthermore, OOTLs may be cancelled in the event of a serious breach of conditions.

Though the reserve price is a variable that may be adjusted to either open or restrict the attractiveness of the taxi industry, consultations with industry suggest there is now a level of acceptance that the current reserve prices, at least in Hobart and Launceston are not unreasonable.

Furthermore, the annual tender process that has been conducted over the last four years has resulted in the process being fully subscribed in Hobart first the first two years, before being less than fully subscribed in the last two years. This tends to indicate that the Hobart reserve price may have been struck at a level around which demand for licences can gravitate, depending on some signals that operate in the taxi industry licence market.

The extent to which these responses point to an informed market for buyers of taxi licences is unclear. While some, more savvy, new entrants appear to have a reasonable understanding of the opportunities and risks, there is likely to be some risk of information asymmetry¹². This means that some new entrant do not have the necessary appreciation of the industry risks and so the relative ease of their entry into an industry with low barriers, can cause broader impacts through the industry more generally.

These impacts may adjust over time as the industry returns to equilibrium, but, as Fels observes, there will be a period of disruption in the short term, while the re-balancing takes place.

On the basis of this assessment, on balance, the review is of the opinion that there is not a compelling case to change from the current arrangement of setting a reserve price by taxi area and the current reserve prices have proven to be not unreasonable.

10.3.3 Number of licences to be released

This policy lever compares the options of setting the number of licences to be released by formula (the current situation) or by reference to demographic and economic factors. These options therefore exclude the idea of not capping the number of licences for reasons outlined earlier.

As noted in Table 5 below, the number of licences released in NSW is guided by consideration of some key demographic and economic indicators. In NSW, these factors, when loaded into an economic model, led to the conclusion that demand for taxi services is likely to grow by 2.5% p.a. over the next five years. On that basis, IPART concluded that the number of licences offered should also increase by 2.5% of the current taxi fleet i.e. 2.5% of 5,656 = 140 additional unrestricted licences.

Under the current licence release arrangements in Tasmania, the maximum number of licences is set by a formula, capping the amount released to 5% of the existing number of licences in the market

Over the last four years under these arrangements, 53 licences have been released. However, using comparable historical data for Tasmania, and absent the benefit of using a complex economic model to project licences to be released in the future, a similar “rough” number for

¹² Information asymmetry: Condition in which at least some relevant information is known to some but not all parties involved. Information asymmetry causes markets to become inefficient, since all the market participants do not have access to the information they need for their decision making processes.

Tasmania may be 1.3%, which would be 3-4 licences for Greater Hobart and 1-2 licences for Launceston, presumably over the next five years. This is summarised in the Table below.

Table 5: Comparison of NSW and Tasmania - factors that determine licences released

Indicator over last 5 years	TAS	NSW
Population growth p.a.	0.7%	1.6%
State final demand growth p.a.	< 0.5%	2.5%
Airport passenger number growth p.a.	2.7%	3.1%

On the question of whether the current formula that sets the number of licences to be released at 5% of the number in the market, a variant on this current formula could be to change the percentage higher or lower. The direction of any such change would depend on whether there was an objective to be more or less restrictive to competition.

The Department has informed the review there was no particular ‘science’ in arriving at the current 5% figure, though it may have proven to be a reasonable point around which the tender process has gravitated, evidenced by the initial over subscription for licences in Hobart in the first two years and the under-subscription in the two subsequent years. The degree to which this may be interpreted as latent demand is unclear.

The Table below summarises the advantages and disadvantages/ risks of these options.

	Set by formula	Consider market factors
Advantages	<ul style="list-style-type: none"> • Predicable and hard coded into legislation 	<ul style="list-style-type: none"> • Provides flexibility for government and industry to balance licence supply with demand factors
Disadvantages/ risks	<ul style="list-style-type: none"> • Has no regard to demographic and economic factors, other than assuming the buyers have made informed decisions 	<ul style="list-style-type: none"> • Opens the way for an assessment of demand and supply factors to be compromised by interference • May impose additional workload on government to assess the data • May be some practical limitations on availability of data

On the basis of this assessment, on balance, the review considers that there is a case to modify the current annual licence release arrangement to have regard to prevailing market factors.

10.3.4 Timing of licence payments

This policy lever compares the options of securing payment for the OOTL licence once-off on entry at the time of the current tender compared to requiring payment on an annual basis. The Table below summarises the advantages and disadvantages/ risks of these options.

	Once off on entry	Paid annually
Advantages	<ul style="list-style-type: none"> Provides a relatively simple, annual process 	<ul style="list-style-type: none"> Reduces the immediate, up-front outlay for potential new entrants
Disadvantages/ risks	<ul style="list-style-type: none"> Risk that potential operators may have difficulty sourcing finance to make up-front payment 	<ul style="list-style-type: none"> Government forgoes the lump sum payment and becomes the defacto financier

On the basis of this assessment, on balance, the review considers that there is not a compelling case to change the current annual licence release arrangement to allow payment to be made on an annual basis at this time. However, this is a policy lever that could be relatively easily revisited if required.

10.4 Options for licence release arrangements

On the basis of the forgoing discussion of alternatives that have emerged from consideration of licence release arrangements in other jurisdictions and ideas raised through the consultation processes, a number of possible options are possible. However, by combining the emerging findings from consideration of the individual policy levers, a proposed model emerges. This is predicated on the outcomes from the earlier analysis in this review, which concluded that there is scope to consider revisions to the current licence release arrangements.

The Table below sets out the current and emerging proposed model, along with the proposed NSW and Victorian models for comparison. The highlighted boxes show the difference between each option and the current model.

Attribute ('levers')	Current model	Option 2 (NSW)	Option 5 (Vic)	Proposed model
Licence availability	Annual tender release	Annual tender release	Anytime	Annual tender release
Reserve price	Prescribed by taxi area	No reserve	Prescribed by taxi zone	Prescribed by taxi area
Number of licences	Set by formula in legislation	Set by modelling of economic factors	Not prescribed	Set by consideration of economic factors

Attribute ('levers')	Current model	Option 2 (NSW)	Option 5 (Vic)	Proposed model
Timing of payment for licence	Once off on entry	Once off on entry	Paid annually	Once off on entry

The Table above illustrates that the only differences between the current and proposed model relates to the methodology for determining the number of licences to be released.

The following Table compares the performance of the current model against the policy objectives, as has been assessed by this review, against the potential performance of the proposed model against those same objectives.

10.5 Performance of the proposed alternative against policy objectives

In order to assess the alignment of the alternative licence release options against the policy objectives, a subjective grading system has been devised and the assessment of the current model has been compared with the assessment of the proposed alternative model.

Attribute regulated	Current	Proposed	Rationale
Providing greater opportunities for taxi operators and drivers (existing and new) to become established in the taxi industry as taxi licence holders, rather than investors with no interest in actually operating a taxi business	To some extent	To some extent	<p><i>Advantages/ benefits</i></p> <ul style="list-style-type: none"> Annual licence release process is retained Consideration of local economic and demographic factors may impact on the number released, but would continue to provide an opportunity, providing that unmet demand can be proven <p><i>Disadvantages/ risks/ issues</i></p> <ul style="list-style-type: none"> Risk that opportunities to enter the industry may be restricted for some potential entrants if demand for more licences is not proven Risk that existing OOTL operators in the industry may be restricted from expanding their business, unless the licences can be purchased from the market
Facilitating improved returns to the licence holder, thereby providing the opportunity for them to reinvest more resources in the enhancement of their taxi service, including the potential for improved driver remuneration to taxi drivers	To some extent	To a large extent	<p><i>Advantages/ benefits</i></p> <ul style="list-style-type: none"> The current model is not meeting this objective from a whole of industry perspective, however some OOTL owners have improved their returns compared to leasing a PTL or simply driving for an operator. The proposed model provides the opportunity to better match supply of licences with shifts in demand, and so facilitate improve returns (or at least returns that are no worse off) to operators and drivers in the industry more broadly

Attribute regulated	Current	Proposed	Rationale
			<i>Disadvantages/ risks/ issues</i> <ul style="list-style-type: none"> • Risk that potential improved returns are not captured by operators/ drivers if other cost factors (e.g. network membership charges) erode improved profitability • Risk that economic/ demographic/ indicators may not be relevant to all taxi areas and so do not provide definitive direction
Providing a predictable, regular opportunity to access a new taxi licence, whether to enter the industry or expand an existing operation.	To a large extent	To some extent	<i>Advantages/ benefits</i> <ul style="list-style-type: none"> • Proposed model continues to require a predictable and regular process for consideration as to whether additional licences are warranted, and if so, in what numbers <i>Disadvantages/ risks/ issues</i> <ul style="list-style-type: none"> • Possible that consideration of market and demographic factors could reduce access to taxi licences

10.6 Summary

The review has considered a number of policy levers available to modify the current licence release arrangements for OOTLs, and by consideration of the advantages and disadvantages of the alternatives, the review has concluded that the majority of such levers are appropriate, in the current Tasmanian context. Accordingly, the review is not inclined to propose any change to:

- OOTL licences being released under an annual tender arrangement (as opposed to being available anytime)
- Setting a reserve price by taxi area (as opposed to allowing the market to set a price), and
- Requiring payment for the licence to be paid once on entry (as opposed to being paid on an annual basis).

However, the review considers that the current formula set in the legislation that requires an additional 5% of the current licences in any taxi area to be made available (or one licence, whichever is the smaller), continues to run the risk of uninformed buyers of licences moving into a market that cannot sustain more competition, without a commensurate and proven adjustment in demand.

Arguably, as presented in Chart 8, some of the 24 new entrants (41% of total new OOTL owners), who have been accredited for less than 12 months before procuring an OOTL, and in particular, the 12 (20%) who had been accredited and then procured an OOTL within 2-3 months could perhaps be characterised as less than fully informed.

The review therefore considers that some form of analysis of the Tasmanian economic and demographic environment, including forward projections, along with reliable performance data

from the taxi industry itself¹³, will enable better informed decisions to be made about the number of licences that should be released. It may also be the case that such analysis could find in favour of no additional licences being released under certain circumstances.

Whilst this measure introduces a level of subjectivity and risk of influence in the process from political and vested interests already in the industry, the availability of reliable, more sophisticated and transparent data to inform the decision making process, should mitigate such risks.

In terms of the implementation of this proposal, the review has not been scoped or resourced to provide a detailed prescription. That would be a matter for more detailed analysis and consultation within government and with the taxi industry itself. A key concern of Department that such a system may lead to ‘gaming’ by vested interests would need to be satisfied.

However, by way of illustration, an option could be to use key indicators of whole of state economic/ demographic trends, along with some more localised/ taxi area based indicators of taxi industry performance and use a three tier licence release model, somewhat akin to the ‘bias’ the Reserve Bank reports in respect to future interest rate movements. For example:

- 7% when economic/ demographic/ taxi industry indicators are showing favourable trends
- 5% when economic/ demographic/ taxi industry indicators are showing neutral trends
- 3% when economic/ demographic/ taxi industry indicators are showing neutral trends

In practical terms, such an option would really only impact on the Hobart and Launceston/Perth taxi areas, where there is a sufficient number of taxi licences for such a formula to have any effect. The Table below illustrates the practical implications of such an option in those two taxi areas.

Taxi area	3% release bias	5% release bias	7% release bias
Hobart	10	15	20
Launceston	4	6	8

¹³ The Department has informed the review that OTTER is considering other fare related measures that aim to improve service levels in outer suburbs. On the basis of qualitative information provided to this review, such a measure may be warranted.

11 Identification and evaluation of alternatives for WATs

This section sets out the review’s evaluation of the policy alternatives and options to improve the performance of WATs in meeting the stated policy objectives. This section draws on alternatives employed in other jurisdictions and ideas proposed during the consultative process.

The Terms of Reference also require the review to consider changes to regulatory arrangements for WAT operators that would:

- improve WAT performance in respect to WAT operators and radio networks according appropriate priority to wheelchair-reliant customers; and
- assist radio networks in meeting the response time performance standards in place under the Disability Standards for Accessible Public Transport 2002 (Cth).

11.1 Alternative release arrangements adopted in other jurisdiction

11.1.1 Victorian reforms

The Fels Inquiry has recently proposed a number of measures to improve taxi services to people with disabilities. That inquiry found that *while the proportion of WATs in the Victorian taxi fleet is adequate, better organisation of the WAT fleet is needed to improve taxi accessibility for people who use wheelchairs* (emphasis added). The introduction of the WAT Performance Based Booking System has not made significant inroads into wait times in metropolitan Melbourne and the substantial incentive payments made by the Victorian Government to NSPs under the scheme are not achieving sufficiently strong results to justify the cost.¹⁴

The Fels Inquiry also found that *“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”*.¹⁵

On the basis of that overall finding, the Fels Inquiry proposed a number of recommended reform measures, which in summary, include the following:

- 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

¹⁴ Customers First: Service, Safety, Choice (2012) Final Report, page 49

¹⁵ Customers First: Service, Safety, Choice (2012) Final Summary Report, page 12

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.”

According to Fels, 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.

Interestingly, the observations made in the Fels Inquiry about the current services to users of WAT taxis bear some similarity with the observations passed by stakeholders in Tasmania, and so the proposals in the Fels Inquiry provide a starting point for consideration of options, along with ideas raised during the consultation process.

11.2 Alternatives and related matters raised in consultations

In conducting the meetings, publicly forums and receiving written submissions, the question of what changes, if any should be made to the licence release arrangements for OOTLs, was posed.

Participants in the consultation processes proposed some ideas to reform the current WAT licence release arrangements. These ideas centred on responding to the issues about there being too many WATs not doing WAT work, and instead, doing the work of regular taxis. Suggestions included:

- Cancel the licences for WATs who are not doing any WAT work
- Establish a reasonable target percentage of WAT licences to OOTLs and limit the release arrangements to ensure that target was always maintained
- Obtain much better demand data about the need for WATs, including the number and distribution of potential users of WATs
- Establish a quota/ target number of trips that WAT vehicles must achieve in servicing the needs of people with disabilities e.g. two wheelchair trips a day or say 50-60 per month

Other participants in the consultation process, acting as advocates for people with disabilities considered that more WATs were needed to more effectively serve their constituents more generally. Suggestions included:

- Offering greater incentives to encourage WAT operators into the industry e.g. assistance to reduce the fit-out costs for the vehicles
- Creating a mechanism to convert existing regular taxis to WATs, if there was a case that there are too many regular taxis
- Reducing the cost of WATs to users, as trips are still too expensive even with the Transport Assistance Scheme incentive currently offered by the government.

It was noted that the absence of any WAT related performance data made it difficult to substantiate whether WAT operators were meeting comparable performance standards to regular taxis.

11.3 Consideration of policy choices

In considering the current policy levers used to attract WAT operators, along with measures proposed in the Fels Inquiry and other options raised in the consultations, a number of policy choices emerge.

These policy measures are predicated on the earlier conclusion that there are a sufficient number of WAT taxis in the fleet more generally, but there are some factors that may be limiting the utilisation of those taxis by people with disabilities.

These policy measures also assume that the issuing of a WAT licence at no cost, at any time, is an effective measure in aiming to increase WAT vehicles, as there is no possible lower cost, less restrictive licence release arrangement that could be put in place to get more WAT vehicles in the fleet, except for subsidies and/ or changing rules around capital cost and fit out costs (which are outside the scope of this review).

The focus of these potential policy levers are therefore around maximising the utilisation of WATs for those vehicles in the fleet by people who need wheelchair accessible transport.

11.3.1 Target quotas for WAT drivers

This policy choice considers the option of establishing target quotas for network aligned operators and independent WAT drivers to achieve. The review understands that a quota system is in place in Western Australia.

The alternative is to not establish quotas, but more stringently monitor the performance of WATs using the reporting functionality in the SMART CARD technology that is being introduced into the WATs. That technology replaces the paper based TAS voucher system, and so enables DIER to monitor WAT usage patterns and more readily identify WAT drivers who may be undertaking less WAT work that would be considered reasonable.

	Establish quotas	Monitor performance
Advantages	<ul style="list-style-type: none"> • Sets a hard-fast target against which performance can be 	<ul style="list-style-type: none"> • System will allow operators that are materially under performing

	Establish quotas	Monitor performance
	assessed <ul style="list-style-type: none"> Provides a target for drivers to achieve and so may motivate behaviour 	to be identified and sanctions can be imposed <ul style="list-style-type: none"> Allows some flexibility in judging performance
Disadvantages/ risks	<ul style="list-style-type: none"> May be challenging to establish the target quota There may be individual factors that limit achievement of the quotas 	<ul style="list-style-type: none"> Risk that SMART CARD system can still be abused if operators have unauthorised access to the card System has not yet been fully implemented and so its capability has not yet been fully tested Risk of difficulty imposing sanctions on underperforming operators

On the basis of this assessment, the review is of the opinion that the SMART CARD system needs to be fully implemented and the data analysed to assess its appropriateness as a tool to monitor WAT driver performance. This should be evaluated before any further consideration is given to introducing a quota.

11.3.2 The booking system for WATs

This policy lever relates to the proposal to establish, as a minimum, a single common contact number that all WAT users call to secure booking, or, as a maximum, creating a separate entity, along the lines being proposed in the Fels review.

	Use existing networks/ independents	Create a separate entity or common contact number
Advantages	<ul style="list-style-type: none"> Preserves capacity for networks and operators to compete Low cost as no material change to existing arrangements is required 	<ul style="list-style-type: none"> Provides a single point of contact for all WAT users May be easier to monitor performance/ response times from a single contact point
Disadvantages/ risks	<ul style="list-style-type: none"> Risk that existing issues facing WAT users is perpetuated Risk that existing networks would not meet their DDA obligations if all WAT operators move to a central network The imposition of a network fee on existing independent operators 	<ul style="list-style-type: none"> May involve some establishment costs and creation of business rules to distribute incoming calls under a common contact number model Creation of a separate entity, would involve significant cost May be circumvented by WAT

	Use existing networks/ independents	Create a separate entity or common contact number
	may adversely impact their viability	users making direct arrangements with drivers

On the basis of this assessment, the review considers that the existing arrangements may not have delivered the best possible outcomes for WAT users. However, costs of creating a separate entity may not be warranted, given the scale of the service in Tasmania. A shared/common phone line may have merit, but would need a depth of evaluation beyond the scope of this review.

11.3.3 Revisit the existing policy levers

As noted in the earlier evaluation of performance against policy objectives, some of the current policy levers for WATs have had little effect in practical terms. These were:

- expanding the WAT fleet to regional areas of Tasmania, through the relaxation of initial vehicle standards in those taxi areas deemed to be ‘remote’
- the introduction of provisions enabling operators of standard taxis to use wheelchair accessible vehicles in areas where no WAT service is operating
- introducing arrangements by which WAT vehicles could be replaced with substitute vehicles to address temporary operational problems.

It is clear to the review that each of these initiatives needs further consideration and refinement, which again, are not necessarily matters that relate directly to the licence release arrangements.

The review support further consideration be given to the policy levers that have not met the objective of improving accessibility to WAT service to rural/ remote Tasmania. This should be considered as part of a more holistic review of regional transport infrastructure, which would also have regard to services that are competing and/ or complementary to WATs.

11.3.4 Consider other incentives for operators/ drivers

This policy lever is designed to consider other incentives that may improve WAT performance. These have been bundled, rather than considered in isolation, though components of the bundle could be looked at individually, if there was some acceptance.

These incentives also do not relate to the licence release arrangements per se, and so, these are more incidental to this review, rather than core. Some of these may also verge into fare structures, which are not within the scope of this review. However, a number of other incentives could be considered, including, but not limited to:

- Increasing the trip subsidy paid directly to WAT operators and/ or mandating some of that subsidy must be shared with drivers. The pass through of any of the trip subsidy from the operator to the driver is currently at the discretion of the operator

- Increasing the fare structure (flag fall, waiting time and per kilometre rate) currently used to compensate operators/ drivers for the additional time it may take to provide services to a wheelchair accessible customer
- Increasing the TAS payments, on the basis that the current average payment is less than \$9:00 per trip, whereas the maximum allowable is \$30
- Publicising the service quality standards of the networks and individual operators, so that that better performing providers are rewarded by favourable exposure, and sub-optimal performers are equally exposed for providing inferior performance, and
- Impose tougher sanctions on under-performing WAT operators.

The review considers there are some other policy levers that could be considered to incentivise drivers to prioritise legitimate WAT work. These may be worthy of further consideration.

11.4 Options for WAT licence release arrangements

On the basis of the foregoing discussions of alternatives that have emerged from consideration of licence release arrangements for WATs in other jurisdictions and other regulatory measures that aim to stimulate supply of WATs and deliver comparable performance standards to WAT users, a limited number of options have emerged.

The Table below summarises the current, alternative and emerging proposed model for comparison.

Attribute ('levers')	TAS	Alternative	Proposed
Licence availability	Available anytime	Limit available	Available anytime
Licence price	Free of charge	Fee charged	Free of charge
Number of licences	Unlimited	Some limits set	Unlimited
Target quotas	Not currently	Quota prescribed	Quota not prescribed
Central booking model	Not currently	Centralised system	Option to consider
Various policy initiatives	Various measures	Not assessed	Review current measures
Other incentives	Partially used	Not assessed	Review current measures

11.5 Performance of the proposed alternative against policy objectives

In order to assess the alignment of the alternative licence release options against the policy objectives, a subjective grading system has been devised and the assessment of the current model has been compared with the proposed alternative model.

Attribute regulated	Current	Proposed	Rationale
Facilitating a means by which new WAT licences could be released, to ensure that the proportion of these taxis in the overall taxi fleet is, at least, maintained	To some extent	To some extent	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Free WAT licences, available anytime is retained • Improved monitoring of WAT performance should encourage improved utilisation of existing WAT fleet <p><i>Disadvantages/ risks and issues</i></p> <ul style="list-style-type: none"> • Risk that WAT fleet will plateau and decline as existing vehicles reach 10 years of age
Ensuring adequate means for networks' compliance with Disability Discrimination Act 1992 obligations	To some extent	To some extent	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Improved monitoring of WAT performance should encourage improved response times <p><i>Disadvantages/ risks and issues</i></p> <ul style="list-style-type: none"> • Risk that government imposed sanctions on underperforming WATs are not readily invoked
Expanding the WAT fleet to regional areas of Tasmania, through (i) the relaxation of initial vehicle standards in those taxi areas deemed to be 'remote'; and (ii) the introduction of provisions enabling operators of standard taxis to use wheelchair accessible vehicles in areas where no WAT service is operating	Not at all	To some extent	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Any revisions to existing arrangements may lead to better outcomes <p><i>Disadvantages/ risks and issues</i></p> <ul style="list-style-type: none"> • Revisions to existing arrangements don't have a material impact
Introducing arrangements by which WAT vehicles could be replaced with substitute vehicles to address temporary operational problems.	Not at all	To some extent	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Any revisions to existing arrangements may lead to better outcomes <p><i>Disadvantages/ risks and issues</i></p> <ul style="list-style-type: none"> • Any revisions to existing arrangements may lead to better outcomes

11.6 Summary

The review has considered the current largely unrestricted licence release arrangements for WATs and concludes that there is no basis for change. It is apparent that the release arrangement is not an impediment to services to WAT users.

Rather, there are other barriers in the current operational model for WATs that may not be incentivising all WAT drivers to give legitimate WAT work the priority that was intended. Instead, some WAT operators actively choose to avoid WAT work in favour of other maxi-taxi or regular taxi work.

The review has considered a limited number of WAT related initiatives, either used or employed in other jurisdictions. This has included the setting of target quotas for WAT operators to achieve and centralising a booking number. On balance, the review considers these are not appropriate reforms at this time, given the associated disadvantages/ issues and the scale of the Tasmanian market.

The review is also aware of the SMART CARD initiative that is in place in many WAT vehicles, which has the potential to provide Government with more data to track WAT vehicle usage patterns. The review considers that full implementation of this initiative, coupled with more effective monitoring of data that can be generated by this system, with sanctions applied to operators who are not prioritising legitimate WAT service is a necessary first step before considering other initiatives.

However, given that the incentives, already in the legislation are not being used by the taxi industry to expand the supply of WATs, these should also be reconsidered by government, along with investigation of other initiatives, with the aim of creating even more incentive for WATs to become a greater share of the total taxi fleet, especially in more rural/ remote part of Tasmania.

12 Other considerations

This section addresses the range of other considerations relevant to the core scope. Some of these other considerations have been commented on, in the course of responding to the core Terms of Reference, and so this section focuses on those other considerations not already addressed, these being:

- 1 Consider the *performance measures* for standard taxis and WATs – what, if any, measures should be established and periodically collected that are capable of being audited
- 2 Consider any *practical and/or operational implications* of the increase in the number of taxis operating, including such matters as the distribution and capacity of taxi ranks and traffic congestion and/or other negative outcomes at specific locations (e.g. airports)
- 3 Consider the *case for existing PTLs to be converted* to OOTLs/WATs over time, plus (if justified) examine possible methods for doing so
- 4 Consider the *implications of alternatives in terms of Government resources*, for example in respect to ongoing administrative processes

In addition, this section also responds to part of the Terms of Reference #3. That part requires the review to recommend strategies to address taxi driver income, in the event of either leaving the current licence release system largely intact or if significant change was being proposed.

Each of these considerations is addressed in order below.

12.1 Performance measures

12.1.1 Matters raised in consultation

Participants in the consultation process were invited to comment on *performance measures for standard taxi and WATs, and identify any measures that should be established and periodically collected, that are capable of being audited*. In summary, the main performance measures proposed were as follows:

- The time spent waiting by customers who order taxis
- The amount of time drivers spend idle between jobs
- Kilometres travelled per vehicle
- Number of complaints
- Number of jobs completed to be compared against the number of taxis over a period of time
- The number of taxi drivers who reclaim (reject) jobs that are sent to them by networks.

The industry participants also indicated support for the Department seeking statistics and agreed to provide such data, where possible. The networks that operate in Hobart have large and complex computer systems that allow many different statistics to be accessed relatively easily and quickly.

However, independent operators and the networks in North West Tasmania (and elsewhere) do not have the computer systems that can readily produce statistics. These operators would only

be able to provide basic statistics such as the number of jobs per day and would do so using their taxi meters, and/ or other manual processes.

Further more detailed consultations have been undertaken with the owners/ managers of major networks operating in Hobart. They were provided with an extract of the performance measures that networks are required to provide to IPART in NSW and were asked to comment on the capacity of their computer systems to provide the same data, both historically and looking forward. The response of those networks to the NSW set of performance measures is presented in Appendix J. In summary, these discussions confirmed:

- There has been a period of significant change in the Hobart based networks. Over the last four years, two new networks have been formed, one on the last six months, and three of networks have implemented new despatch systems over that time, hence limiting their ability to provide historical performance data to the review
- The networks computer systems now have the capacity to generate most of the performance measures captured in NSW
- The networks cannot readily provide historical data beyond, say a few months, due to the volume of data that is generated and the periodic and regular cleansing of data that is undertaken.
- Further clarity is required to better understand the definitions of the NSW performance measures, confirm the purpose for collecting such data and understand the way in which that data would be used by government and the taxi industry to improve services and assist the industry.

The major networks in the taxi industry also pointed out that sole operators or smaller 'networks' would not be able to provide the same range of data and this would limit the capacity of users of the data to draw inferences about the entire taxi fleet.

12.1.2 Assessment

The review supports the greater use of performance measures, by both government and the taxi industry working collaboratively to establish agreed objectives, performance measures and targets. This will better inform future deliberations about trends in the performance of the taxi industry and provide more reliable quantitative data to support future debates about the need for the release (or otherwise) of further licences.

The review acknowledges that sole operators or smaller 'networks' may not have the capacity to generate all possible performance data. However, since such operators constitute less than 10% of the total taxi fleet in Tasmania, the absence of their data, would not materially impact on the total fleet averages. However, the review considers such operators should be required to provide some data sets, even if sourced directly from meters, in order to also monitor performance trends. The review notes that some of these smaller operators may also be the most innovative and agile and so, sole reliance on the data of the major networks may portray lower overall taxi industry performance at the margins.

12.2 Operational implications arising from the increase in taxi numbers

12.2.1 Matters raised in consultation

Participants in the individual, group and public meetings were invited to comment on *any practical and/or operational implications of the increase in the number of taxis operating.*

During the consultations, the resounding view was that there have been large practical and operational implications:

- The ranks around the Hobart CBD are often occupied, making it difficult for taxis to park and pick up work. This lack of parking space increases drivers' 'dead' kilometres¹⁶
- There is an overflow of taxis in Hobart which then drive to the airport in order to wait for jobs. This creates large wait times in the 'bullpen' at the airport and the outer suburbs are bypassed for the more valuable airport jobs
- More ranks are filled by WATs now due to the increase in their numbers. Their larger size and need for space behind the vehicle when parked to load and unload passengers makes the already diminishing rank space fit less taxis
- Ranks are being moved out of conspicuous locations. Taxi ranks should be placed where people can see them and easily walk up to the taxis
- Hobart airport is the only airport in Australia where passengers cannot be picked up from the curb side outside the terminal. Taxis should be able to use the public pick up area. If the job has been pre-booked then the taxis have to use the public car park and pay parking fees if the plane is delayed
- Bus transport to and from the airport takes a large number of fares. These are allowed to spruik their services and stand right outside the terminals to wait for customers unlike taxis
- Trucks, police vehicles and fire trucks use the taxi ranks as places to park, reducing the already limited spaces for taxis.

Taxi operators in the North West haven't experienced practical or operational issues to the same extent, due to the relatively stable taxi numbers in this area.

12.2.2 Assessment

The review considers that, all other things being equal, the increase in the number of taxis operating around the Hobart and Launceston taxi areas is likely to have had an adverse impact on rank space. It would appear that rank spaces have not grown in proportion to the increase in the number of operational taxi licences.

This situation is likely to have been exacerbated by the shift of taxis from the outlying suburbs to the CBD and airports in pursuit of more lucrative fares.

There may be a role for a more united taxi industry body to advocate to local councils for some reforms to the allocation of taxi rank spaces.

¹⁶ Dead kilometres is a term used in the taxi industry to describe kilometres that are driven while the taxi is not hired
DIER13-Review of taxi licence release -FINAL.docx - 11 June 2013

12.3 The case for converting Perpetual Taxi Licences

12.3.1 Matters raised in consultation

The case for existing PTLs to be converted to OOTLs/WATs over time, is founded on the contention that such a measure would 'rid' the industry of investors in PTLs and, eventually move all regular taxis onto OOTLs and so, remove any concerns arising from there being two licence types, with vastly different costs, that in some ways bestow on the user, similar operating rights.

In discussing this question as part of the consultation process, there was little, if any support for existing PTLs to be converted to OOTLs/WATs over time. Participants in the process noted the following key points:

- PTLs provide an opportunity for operators to lease a plate from the PTL owner, and so avoid having to source capital to purchase either a PTL or an OOTL
- PTLs have been purchased by a number of PTL owners as part of longer term and more holistic financial strategy, often with a view to retirement
- PTLs are currently yielding in the order of \$250-\$300 per week for a lessor, which equates to a pre-tax return of 8-9%, depending on the original purchase price of the plate, which has ranged from around \$120 - \$140K in recent years in Hobart¹⁷
- Some former PTL owners have already sold their plate and purchased an OOTL, at roughly half the cost, banked the difference, and kept operating with no practical change
- Some PTL owners may be tempted by a structured conversion of PTLs to OOTLs, but expressed doubt about the government's desire or ability to fund such a conversion

In short, it would appear that the vast majority of taxi industry representatives are not uncomfortable with the current structure of PTLs and OOTLs co-existing as alternatives to remain in or enter the industry.

12.3.2 Assessment

Largely on the basis of consultation with the taxi industry itself, the review is inclined to conclude there is not a compelling case to convert existing PTLs to OOTLs/WATs, at this time.

The rationale for converting PTLs to OOTLs has some conceptual appeal, in terms of moving all operators onto a level playing field as far as licences are concerned. This could benefit users of taxi services, and in a secondary way WAT and OOTL holders. However, the cost of conversion compared to the possible, but unquantifiable benefit (cost/ benefit equation), is not compelling at this time and, accordingly, the review has not considered it necessary to examine possible methods for doing so.

¹⁷ In The Mercury classifieds – Businesses for Sale – on Saturday 16 March 2013, A PTL was offered for sale in the Hobart taxi area for \$100,000

12.4 Government resourcing considerations

12.4.1 Matters raised in consultation

The consultation process gave little attention to this question, only on the basis that options for change to the current arrangements were not formed at that point, and so the impact on government could not be assessed. Notwithstanding, participants passed some general observations such as:

- Feeling that the annual fee paid by operators to the government for the inspectorial services is not providing value-for-money¹⁸. It was alleged by a number of participants that some arrangements between inspectors and operators allow unroadworthy or substandard vehicles to be passed. The outsourcing of this function has increased the risk of this occurring
- Recalling a buy-back fund for PTLs was established some years ago and accumulated almost \$1.0M, but only resulted in the buy-back of two PTL plates
- Feeling that government needed to have a more active and visible role in its oversight of the taxi industry more generally
- Feeling that government has more generally not listened to the taxi industry as, some of the current issues now facing the industry were foreshadowed in advance and have materialised. Equally, many in the taxi industry recognise the failure of the industry to put forward well reasoned and compelling cases to government on various matters due to its own fragmentation.

Though the general tenor of the public consultations was not overly complimentary to government, a number in the taxi industry noted the effective working relationships with some government officials.

12.4.2 Assessment

Implementation of the recommended reforms to the existing current licence release arrangements would have some impact on government resources, both during the implementation phase and on an ongoing basis.

In respect to implementation, the review would envisage a role for government:

- Compiling and considering the most appropriate demographic and economic data that could be used to inform decisions around the more cost effective way to assess the number of licences to be released
- Working with the taxi industry to develop, test and put in place performance measures from the taxi industry that can also be used to support decisions related to the performance of the industry and, hence the case for additional licences
- Development of amendments to the existing legislation

In respect to the recurrent impact on government, the proposed amendments would require government to compile and evaluate the agreed demographic and economic data and the taxi

¹⁸ As at April 2013, the annual fee ranges from \$630.72 (Hobart, Launceston), \$475.20 (Devonport, Burnie/ Wynyard, New Norfolk, Perth, Ulverstone, George Town West Tamar) to \$262.80 elsewhere

industry data, and use that to inform decisions around the number of licences to be released, if any. Some of this capacity is likely to already reside in government resources, such as the Department of Treasury and Finance. Accordingly, the impacts on government more generally should be incremental rather than material, once the agreed measures, systems and decision making tools are bedded down.

12.5 Consideration of strategies to improve taxi driver income

12.5.1 Matters raised in consultation

The Terms of Reference require the review to recommend strategies to address taxi driver income, in the event of either recommending leaving the current licence release system largely intact or if significant change was being proposed.

The review has previously reported outcomes of the consultation process outline views from within the taxi industry that taxi driver income has fallen by as much as 30% for some drivers.

The main strategy to address this issue, by most industry participants, was to suspend future licence releases in Hobart, and Launceston and, over time, rebase licence numbers, perhaps closer to a 'rule of thumb' that has regard to a target of around one licence per 1,000 resident population. Such a strategy would best ensure the 'pie' available to the taxi industry is shared in a way that can more effectively preserve taxi driver incomes at, no worse than current levels.

The review has also come to the view that the current licence release arrangements require some modification, but, within the spectrum of potential changes, could be considered as being left largely intact, other than those measures outlined in the next section.

The review is therefore required to recommend any appropriate strategies to improve taxi driver income in this context.

12.5.2 Assessment

The review considers that given time, the recommended measures, should facilitate a situation where there is a closer and more transparent relationship between the demand for taxi services and the licences made available to meet that demand.

The review also notes that other factors that have contributed to the adverse impact on driver income are also in the midst of change. For instance:

- there are some more encouraging economic indicators pointing to the potential for some recovery in the Tasmanian economy
- DIER is introducing some legislative measures to regulate the conduct of limited passenger transport vehicles
- DIER has committed to progressing a Transport Infrastructure Strategy, which will examine opportunities for the integration of community and public transport
- DIER has committed to more to continued implementation of the SMART CARD technology to more effectively monitor the utilisation of WATs and in particular, identify operators who are not prioritising legitimate WAT work.

The review understands these changes will take time to flow through to drivers who have felt an impact from the current licence release arrangements and other economic and competitive forces.

Therefore, the review also recommends consideration be given to the following additional measures, each of which will need to be the subject of some further consultation, legal advice and analysis.

- 1 Review arrangements that allow for some networks to allocate less than 50% of takings to drivers, recognising this will only impact, in the main, on drivers in the Launceston, Burnie and Devonport taxi areas¹⁹
- 2 Review arrangements within some networks where it is claimed that drivers are being required to pay their own workers compensation
- 3 Review the current taxi driver training program and accreditation requirements, with a view to elevating driver entry standards and quality of drivers that graduate through the program.

The review considers these measures, will, over time assist in moving driver income in a favourable direction.

12.6 Options/ changes to taxi areas outside Hobart, if appropriate

12.6.1 Matters raised in consultation

The Terms of Reference required the review to consider options/ changes to individual taxi areas, or groupings of taxi areas outside the Hobart area, if appropriate.

In the course of undertaking the consultations, this Term of Reference focussed on discussions about taxi area boundaries, rather than changes to the taxi licence release arrangements outside the Hobart taxi area. The interpretation placed on this term during the consultation process gave rise to some observations by operators in the taxi industry about the appropriateness of the current boundaries, and on balance, the industry considered there to be no reason for change to the existing boundaries.

On the matter of possible changes to the taxi licence release arrangements outside the Hobart taxi area, (interpreted as the term had been intended) the review has previously reported that much of the focus of the review has been on Hobart and to a lesser extent, Launceston and this was largely driven by the taxi industry itself.

This was on the basis of the perceptions by the taxi industry that the current licence release arrangements were allowing too many licences to be taken up mainly in Hobart and to a lesser extent in Launceston. Therefore, the proposed enhancements to the current arrangements have been framed with the intention of those areas being the ones that would be impacted by the proposed enhancements.

It should also be noted that there were no taxi industry representations outside of Hobart, Launceston/ Perth, Burnie, Ulverstone and Devonport. Therefore, the review has limited insight into the perspectives of operators in rural/ remote Tasmania about changes that could be made

¹⁹ There may need to be some proviso that any increases would be payable to taxi cabs/ drivers that do not operate on a 'single' shift basis and so make the vehicles available on a 24/7 basis

to the taxi licence release arrangements that would deal with a situation where there may be insufficient licences being taken up for both WATs and OOTLs.

12.6.2 Assessment

The review observes that in cities on the rural fringe (Burnie, Devonport and Ulverstone) where the taxi industry did participate in the consultation process, the status quo was supported. The taxi industry largely felt that the demand for taxis was adequately matched by the supply. However, the review does not rule out the possibility that there may be some unmet demand in these locations and other more rural locations. The recent uptake of an OOTL in Devonport is a case in point. There is wide range of options that could be considered to stimulate the supply of licences in the more rural/ remote, such as but not limited to:

- Reducing the reserve prices
- Allowing licences to be awarded to highest tenders irrespective of a reserve
- Reducing vehicle standards
- Changing fare structures

However, given the focus of the review on the Hobart and Launceston taxi areas, the absence of any perspectives by the taxi industry in more rural/ remote regions, and the limited focus give to this consideration by the review, the review is not inclined to propose any definitive changes to the taxi licence release arrangements that would stimulate the supply of licences in the more rural/ remote areas of Tasmania.

13 Other industry specific matters

This section of the report presents a range of other matters that relate to the taxi industry more broadly. Many of these matters do not relate specifically to the Terms of Reference, but serve to illustrate a range of other issues that more generally impact on the industry and users of taxi services. Much of the content in this section has been drawn from the consultation process and have not been isolated issues – rather these matters have been raised in a number of consultations, and so could be regarded as having some substance.

13.1 Taxi industry structure, organisation and leadership

Many industry participants have indicated that the taxi industry needs a more formalised and structured industry body to represent a united voice in its dealing with government, its members and other bodies including disability advocacy groups.

As noted earlier, the taxi industry is dominated by the owners of the major networks, outside of which there are some smaller coalitions of owner/ drivers (e.g. Personal Taxis in Hobart and Northern Cabs in Launceston) and a smaller number of unaligned sole operators. The industry is also made up of perpetual plate owners/ investors, owner/ operators and drivers who each may have broadly different objectives and reasons for being part of the industry.

A number of participants have also commented on the generally lower levels of literacy in the industry and the change in the demographic makeup of the industry, as older, more experienced operators have moved on, or reduced their hours. New migrants from nations in Africa, Asia and the Indian sub-continent have become more common, especially in Hobart.

This industry structure and composition has proven to present a challenge for the industry itself, in terms of building a cohesive and united voice that can present well researched and cohesive positions to the government.

Observation 1: The taxi industry needs to be encouraged and supported to establish and maintain a peak industry body that is representative of the taxi industry more broadly. Such a body may benefit from the inclusion of independent members with appropriate skills and experience outside the taxi industry.

13.2 Complaints mechanisms

Under the Taxi Act 2008, networks are not formally defined. This differs from some other States where networks have a more formalised existence, enshrined in the legislation of those states.

Tasmania is one of the few states where membership of a network is not compulsory. This allows owner operators to conduct their taxi business without a relationship to a radio network. Such operators develop their own client base by distributing business cards, forming relationships and informal ‘contracts’ with organisations. Industry sources estimate that in Hobart there are perhaps 20 or so taxi operators working outside the networks.

As noted earlier, the issue arising from the current arrangements relates to sourcing industry wide performance data. The networks computerised dispatch systems have the capability to obtain and present performance data. Single operators or those working with in smaller coalition-type networks does not possess the computerised network systems and so, do not

capture the performance data. Though this may only represent, less than say 10% of the total industry, this does impact on the completeness of the data sets.

In Tasmania, the major radio networks that operate networks using a known contact number (131008, 13227, 133222 and yellow cabs) generally charge approximately \$700 per month (in Hobart) to an owner operator or lessee operator to be a member of the network. This charge provides access to the capacity of the network to take phone bookings and allocate jobs using the dispatch system. The networks also provide a capacity to set and enforce network standards and act as a central point of contact for complaints against drivers.

Not surprisingly, the network operators would prefer to see membership of the networks made compulsory to assist in lifting and maintaining service standards and sanctioning non-compliant operators/ drivers.

Several participants pointed to some issues with the networks. The core issue appears to relate to not providing 'value-for-money', for some operators, particularly those new to the industry, who have experienced difficulty being allocated taxi jobs/ pickups via the network. At worst, some operators have used terms such as favouritism and discrimination to describe the inequitable allocation of jobs. This has resulted in some operators opting out of the networks.

On the other hand, networks and operators/ drivers acknowledge that there are better performing and harder working operators/ drivers who invest the time, work smarter and harder, and are not selective in the jobs they take on.

Observation 2: Mandatory membership of the networks may be a restriction on competition and so may not be in the overall best interests of the industry. However, if it accepted that membership of the networks is not compulsory, the taxi industry and government need to make more transparent to taxi users, the mechanisms in place to receive and address complaints made against independent operators.

14 Future directions

This section draws together the major findings and conclusions from the previous chapters to provide overall recommended future directions for the taxi licence release arrangements.

14.1 Summary of the current situation

The review has identified a range of issues and challenges currently facing the taxi industry. In summary, the industry has experienced a reduction in incomes in the order of 10-30% over the last 3-4 years. Contributing factors have been:

- The increase in the number of taxi licences now servicing the Hobart region, and to a lesser, but material extent in Launceston
- The general economic downturn that has impacted on taxi regions right across the state in varying ways
- The expansion of competition to regular taxis, in the form of WATs and other community based vehicles, which are often government funded.

The relative contribution of each of these impacts cannot be quantified, but there is little doubt that collectively, these impacts have impacted on operator/ driver income.

That said, the review also found instances of some operators/ drivers working ‘smarter’ and not necessarily ‘harder’. Furthermore, the review heard from some new WAT and OOTL owners and other drivers eager to purchase an OOTL, when next available, who know the virtues and risks of the industry, into which they may be seeking to invest. Some data also points to a situation that is, perhaps, less dire than the industry at large, presents. For example,

- Airport passenger movements in both Hobart and Launceston have risen significantly since 2002, though this has reached a plateau and declined marginally in 2011, with the general economic downturn. Visitor and convention delegate numbers may also have ‘bottomed’ in 2011
- There continues to be in excess of 200 taxi drivers undertaking the training program, suggesting there are drivers eligible to enter the industry, even though there is no real measure of the quality of the graduates
- Over a third of the new OOTL owners had been accredited for more than two years before securing an OOTL
- Total monthly kilometre analysis undertaken by DIER suggests this measure has generally held up, even in Hobart. This points to more taxis, each doing fewer kilometres on average, are collectively doing more kilometres since 2008, suggesting there may have been some expansion in demand
- Transport accident scheme trip and payment data has continually risen since 2004/05, indicating there have been more users of subsidised WAT transport over that time.
- Perpetual taxi licence plate values have generally retained their value, which indicates returns to these licence holders have not materially diminished.

Notwithstanding some of this more encouraging data for the industry as a whole, the review is inclined to accept that the taxi industry, more generally has been under greater strain now than

ever before in recent times, but this impact is unlikely to have been experienced by all operators/ drivers to the same extent.

The focus of this review has been on the current licence release arrangements for regular and WAT taxis, and as noted above, the review considers these current arrangements have played some part in contributing to the viability issues now facing the industry, especially in Hobart and to a lesser extent in Launceston.

These impacts may have been foreseeable to some extent, but the consequences have been unintended. The economic downturn and growth in competition has exacerbated the impact. This has resulted in a situation for the taxi industry that has been particularly challenging for some operators/ drivers more than others, and which may be leading to some unfavourable impacts on some taxi users at the margins, in terms of availability, quality and reliability of taxi services.

A number of valid policy objectives were set in enabling the current legislation. However, many of these objectives for both regular and WAT vehicles have not been met to the extent originally anticipated, other than having made it considerably easier to enter the taxi industry. On that basis, the review has concluded that there is scope for some revision to the current arrangements.

14.2 Summary of future directions

The review has considered a number of alternative licence release arrangements employed in other jurisdictions, and has concluded that the current arrangements are not materially out-of-step with contemporary wisdom and practice.

However, the review proposes a number of comparatively minor reforms to adjust the current licence release arrangement. These changes seek to provide some high-level indicators about trends in the potential demand for taxis and improve the nature and depth of the analysis of the taxi industry's own performance.

In practice, these reforms should focus on the Hobart taxi area and to a lesser extent, Launceston/Perth. These taxi areas have emerged through this review process as experiencing the more significant challenges arising from a combination of factors including taxi licence numbers, the economic downturn and competition to taxis.

In particular the review proposes the following:

- 1 The current licence release model for OOTLs be required to have regard to local demographic and economic factors as part of an approach to determining the number of licences to be released
- 2 The taxi industry be required to put in place appropriate performance measures that can be shared with government on a regular basis, to feed into the licence release assessment process
- 3 The Department implement more rigorous monitoring of WAT performance and follow through with sanctions on the limited number of WAT operators who are not currently according the necessary priority to undertaking legitimate WAT work, and

- 4 The Department revisit other provision in the current WAT legislation that have not encouraged any material take up of WAT licences outside the Hobart and Launceston taxi areas.

A 'pilot' process or 'paper trial', running in parallel to the current licence release model would be a prudent way to progress the first two of these recommendations. Government and the taxi industry would need to work together to test and refine the way in which Tasmanian demographic/ economic data and taxi industry performance data could be used to inform the release arrangements for taxi licences. A key to the success of this process will be developing indicators that are verifiable and transparent.

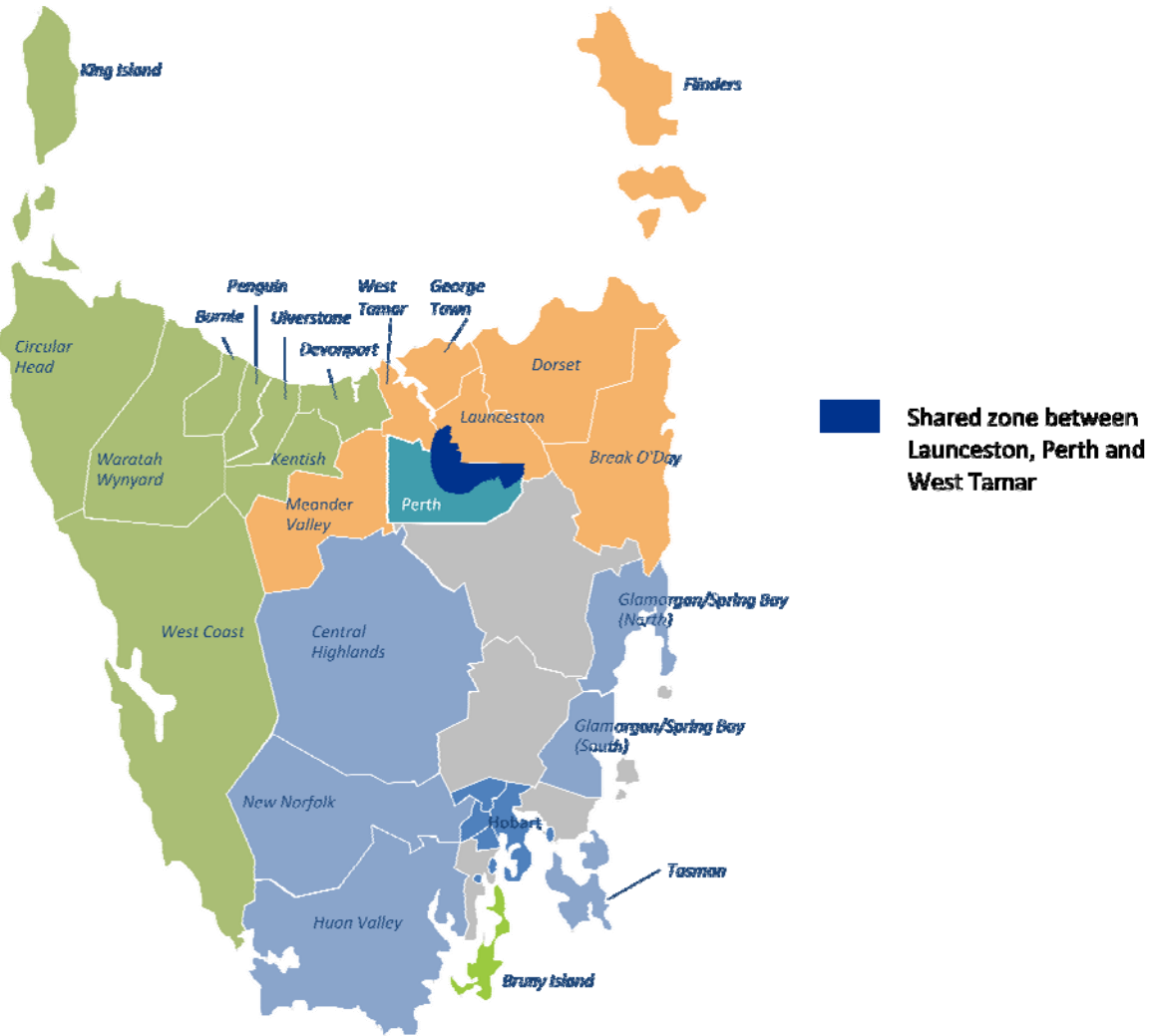
Such indicators could also conceivably point to a situation where more licences could be issued than under the current arrangements. This could be the case, if for example, Tasmania, and the urban regions in particular, experienced very strong economic and demographic growth and taxi industry data indicated high levels of unmet demand and dramatically increasing response times.

The review recognises that these measures will impose additional workload on government and industry, during both the development and implementation of the reforms. However, for some who may be attracted to an industry with relatively low barriers to entry, and where information asymmetry may be present²⁰, the proposed adjustments to the existing regulatory arrangements, should assist in mitigating the issues that have emerged through this review.

²⁰ Noting earlier that 12 new OOTL owners had only been accredited for 2-3 months before securing an OOTL
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A Taxi area maps

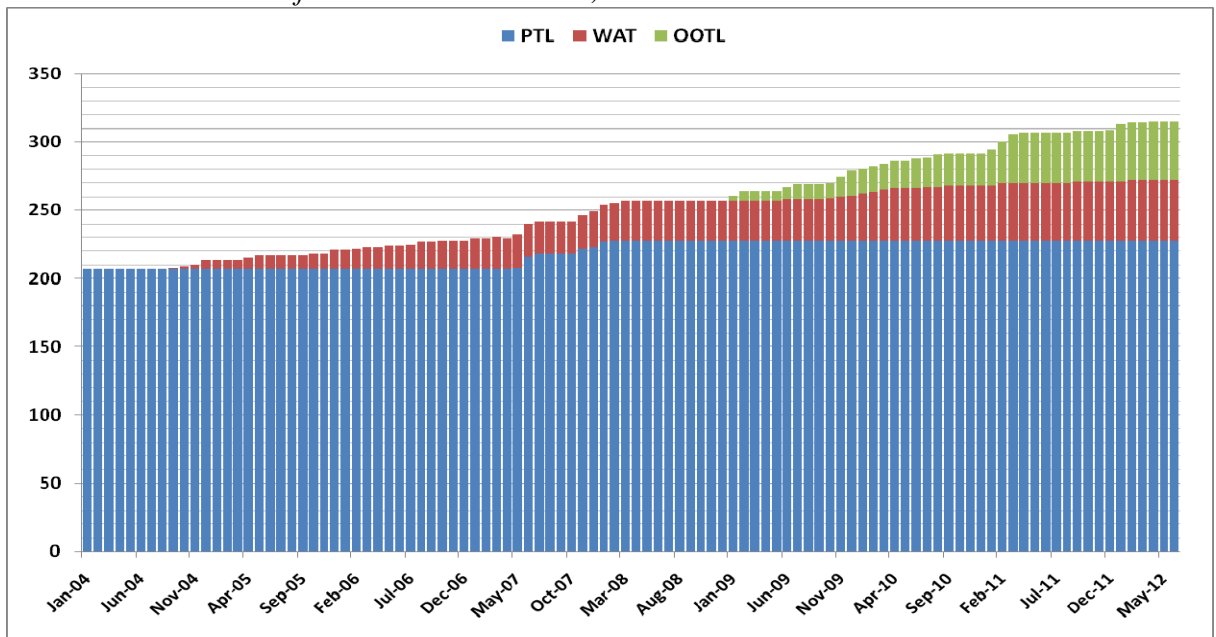
A.1 Tasmanian taxi areas



B Analysis of licence numbers in major tax areas

B.1 Hobart taxi area

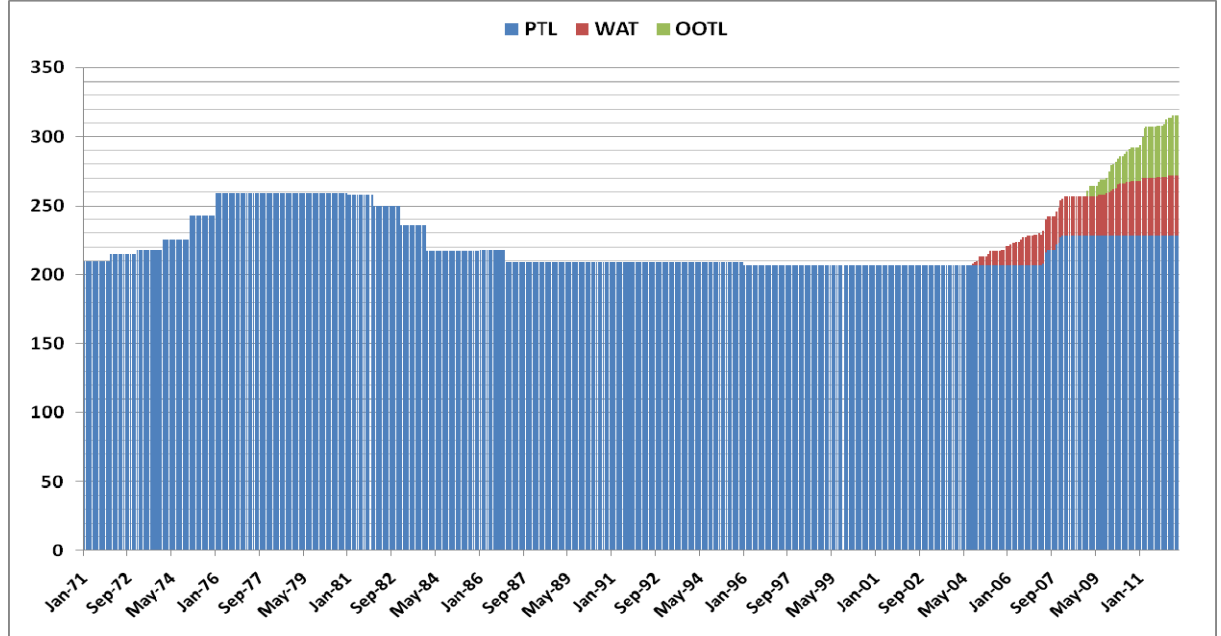
Chart B.1.1: Number of Taxi Licences Hobart, 2004-2012



The growth in Hobart taxi licences mirrors the Statewide situation. This is to be expected given that a significant number (70%) of WAT licences and nearly all (90%) of the OOTLs acquired since the creation of these licence types, have been for the Hobart taxi area. This has resulted in a 52 per cent increase in the total number of Hobart area taxi licences between 2004 and the present. PTLs, OOTLs and WATs now comprise approximately 72, 14 and 14 per cent, respectively of the total Hobart taxi fleet.

Chart B.1.2 provides a historical perspective on the number of taxi licences on issue in Hobart from 1971 to the present. Notable in the graph is the rise and fall between 1975 and 1984 and the subsequent long period (approximately 17 years) where the number of licences on issue in Hobart remained static, at around 210 licences.

Chart B.1.2: Number of Taxi Licences Hobart, 1971-2012



Notable Dates/Events – Chart B.1.2

- 1974 7 licences issued
- 1975 25 licences released in 1975 in response to the Tasman Bridge collapse
- 1976 More licences issued - flow on of bridge collapse
- 1981 Exchange of restricted licences '3 for 2' (reduction of approx 20 from 1981 to 1983)
- 1982 Continuation of restricted licence exchange '3 for 2' in 1982
- 1983 19 licences bought back through Hobart Taxi area buyback scheme (+ 3 year moratorium on licence issue)
- 1986 July 1986 end of 3 year moratorium on licence issue (1 licence reissued)
- 1987 9 Hobart licences purchased by Taxi and Hire Car Association (using borrowed funds) and surrendered to the Commission
- 1995 New Taxi Act
- 1996 Buyback of 2 licences under new Act
- 2004 WAT scheme introduced
- 2008 2008 Tender for OOTLs - commenced issue in 2009

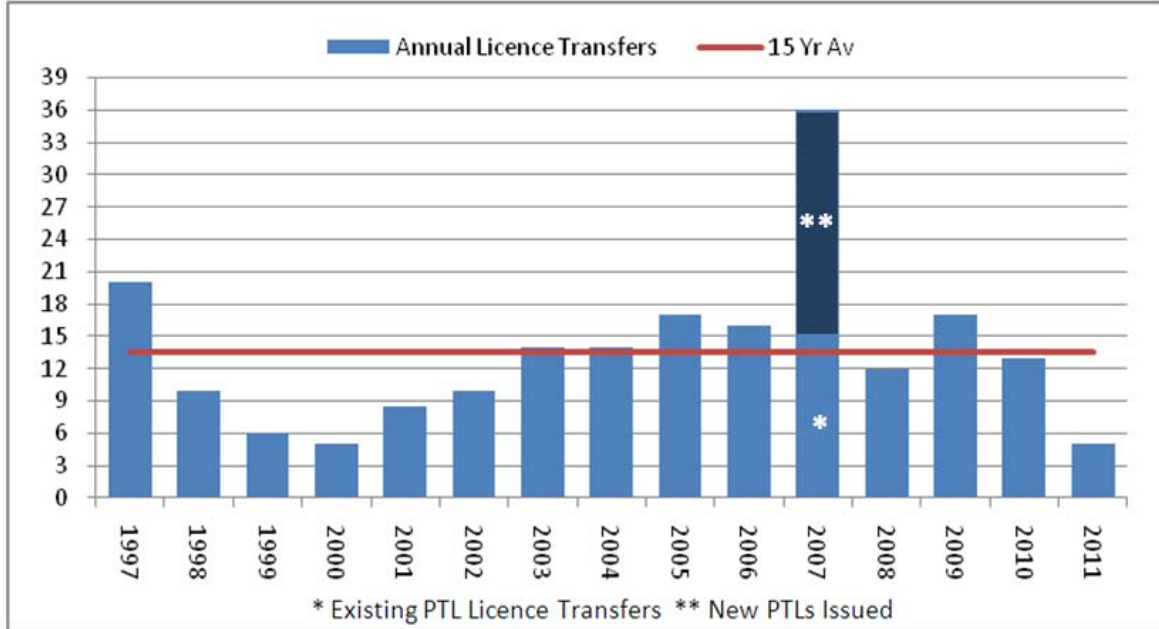
Chart B.1.2 shows the annual number of in-market Hobart perpetual taxi licence transfers from 1971 to 2012, and the average number per annum across this period.

The significant spike in 2007 is the result of the release of new perpetual taxi licences, combined with an average level of trading of existing Hobart PTLs.

Also, it should be noted that a number of licence sales/transfers appear to be between family members or between individuals and companies owned by, or with a close association to, those individuals. In these cases, the transfer value may not necessarily represent the prevailing market value.

Furthermore, unlike other value-based transactions (e.g. motor vehicles) there is no stamp duty payable on the sale of taxi licences. As a result there is no process undertaken by DIER to verify that prices reported for taxi licence transfers are legitimate, sensible or consistent with other similar transfers.

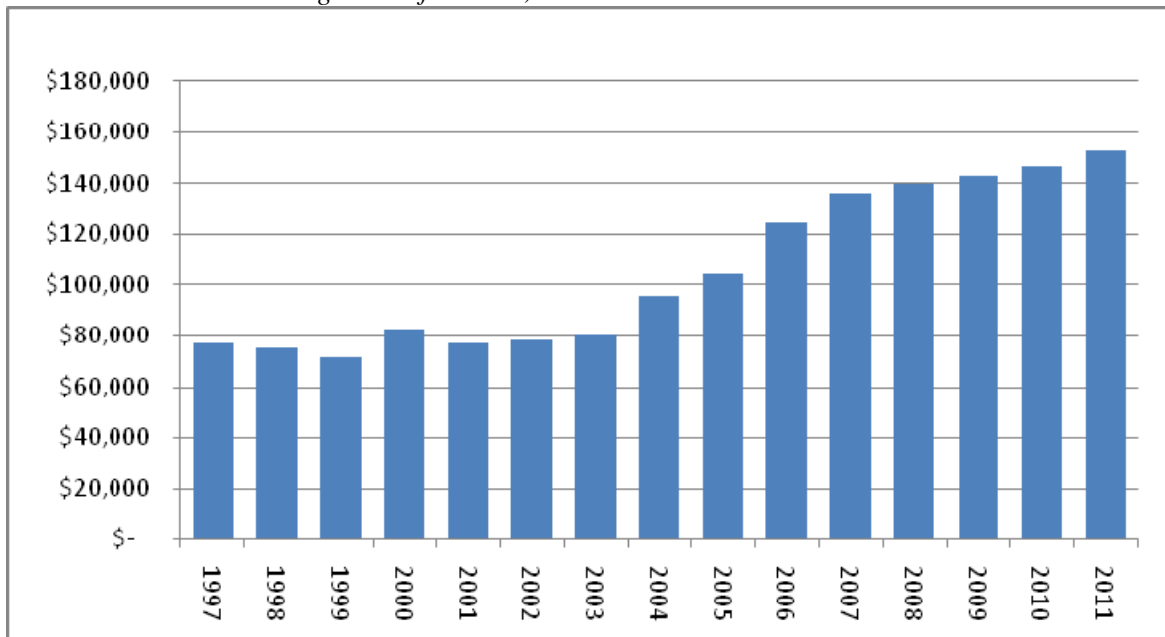
Chart B1.3: Number of Annual Licence Transfers, Hobart 1997-2011



The spike in the number of transfers in 2007 is largely the result of the 21 new perpetual licences issued via the 2007 PTL tender process.

Chart B.1.4 graphs the average sale price of perpetual licences for the Hobart taxi area.

Chart B.1.4: Annual Average Transfer Price, Hobart 1997-2011



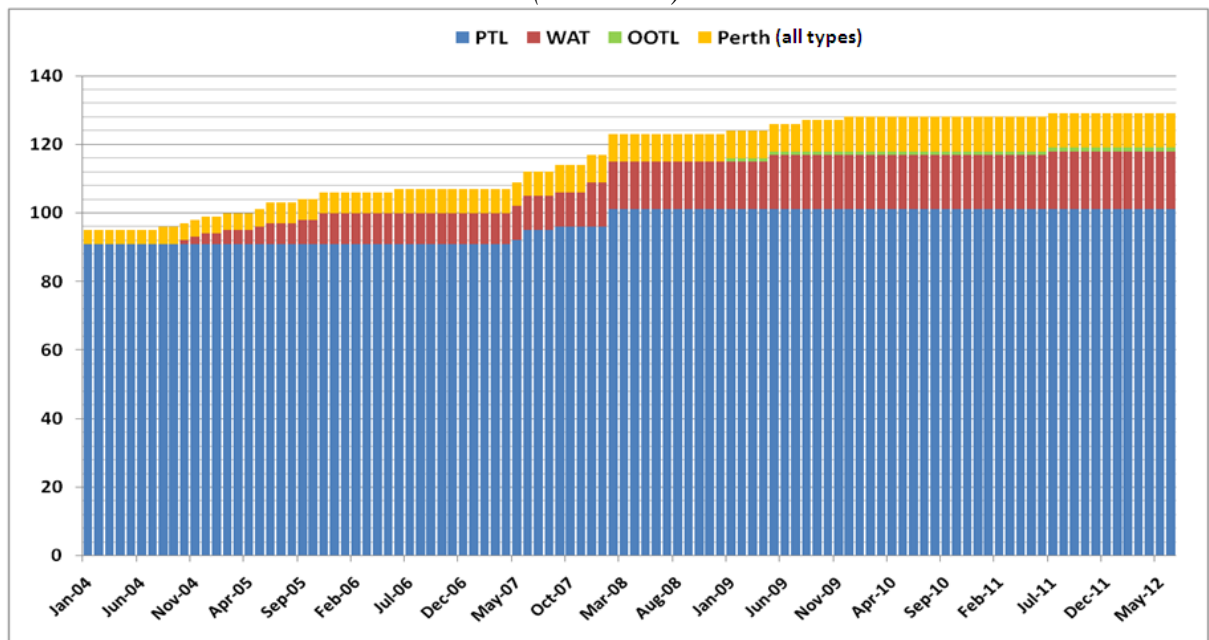
Notable events in Chart B.1.5 include the significant increase in transfer prices between 2003 and 2006 and the reduction in the rate of increase from approximately 2007 onwards. Policy-related matters potentially relevant to these trends include:

- the moratorium on the release of urban area PTLs between 2003 and 2006 (only rural area PTLs and WATs were available for issue during this period); and
- the commencement of annual licence releases (PTLs in 2007, OOTLs from 2008 onwards) in all taxi areas.

External economic conditions, particularly since 2009, may also have had some impact on this market.

B.2 Launceston taxi area

Chart B.2.1: Taxi Licences – Launceston (and Perth) – 2004 - 2012



PTLs, OOTLs and WATs now comprise approximately 85, 1 and 14 per cent respectively of the total Launceston taxi fleet.

Prior to 2004, there were 91 perpetual licences on issue in Launceston, a number that had remained static since the early 1990s.

Chart B.2.2 provides detail on the annual number of Launceston perpetual licence transfers from 1997 to 2011 and the average number across this period.

Chart B.2.2: Annual Licence Transfers – Launceston 1997-2011

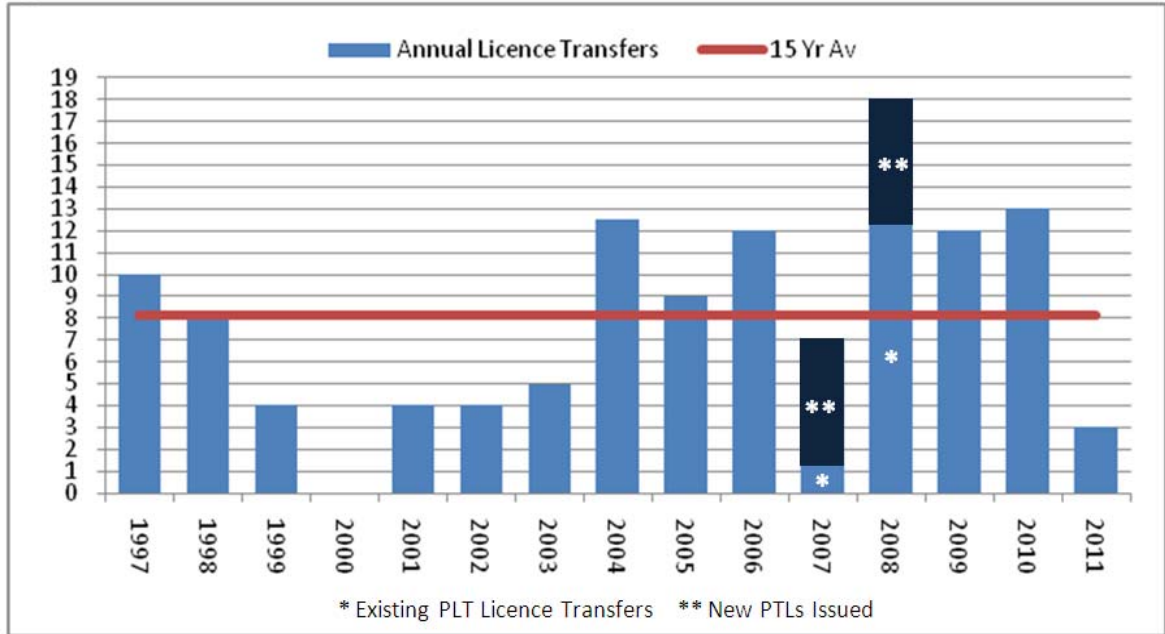
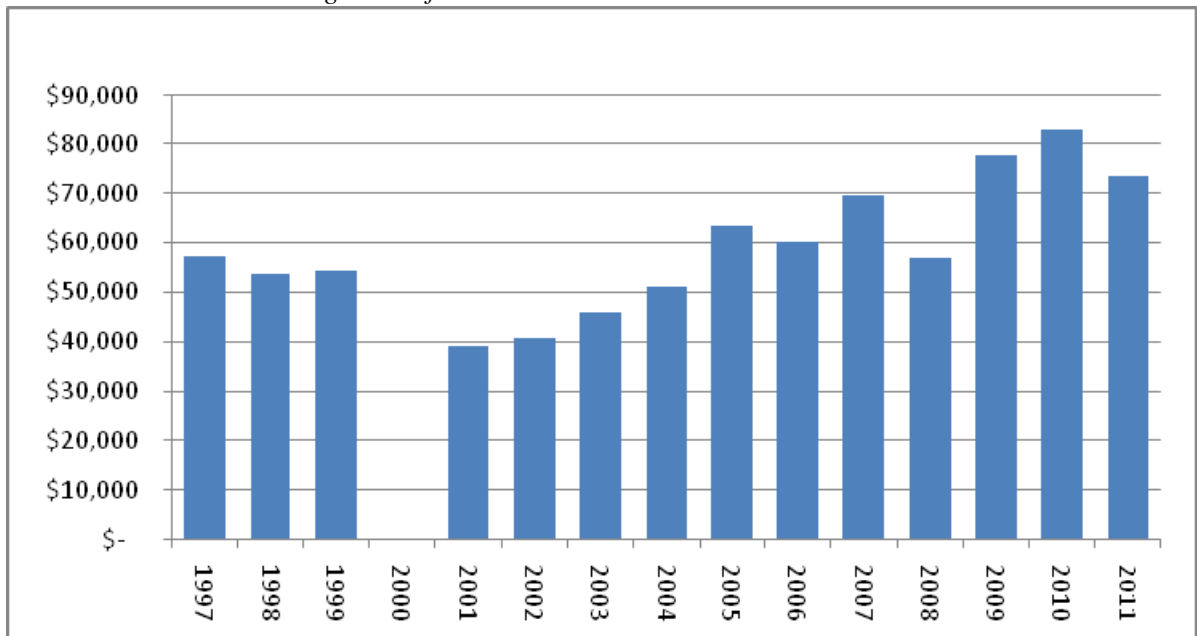


Chart B.2.3 provides detail on the average sale price of licences in the Launceston taxi area.

Chart B.2.3: Annual Average Transfer Price – Launceston 1997-2011



Similar to the situation in Hobart, Chart B.2.3 indicates an increase in licence transfer prices between 2003 and 2006/7. From that point, the pattern is more erratic than that evident for Hobart over the same period, but a general upwards trend is apparent.

As in the case of Hobart, some of the licence transfer activity relates to transfers between family members and/or partners in the same company, and as a result it is questionable as to whether these can be classified as genuine market transactions.

B.3 Burnie taxi area

The total number of PTLs in Burnie has been unchanged (at 22) since 1996, when two were voluntarily handed back to the Transport Commission. Prior to this, it is understood that the number of taxi/cab licences on issue had been largely unchanged for a number of years.

None were purchased at the annual tender in 2007, and no tenders have ever been received for OOTLs since 2008. Representatives of the co-operative have advised DIER that the demand for taxis in Burnie is being met by the current number of taxis, and there is no room in the market for additional taxis.

Chart B.3.1 shows the annual number of Burnie taxi area PTL transfers from 1997 to 2011, together with the average number across this period. The average number of transactions is low, at less than two transfers per year.

Chart B.3.1: Annual Licence Transfers, Burnie 1997-2011

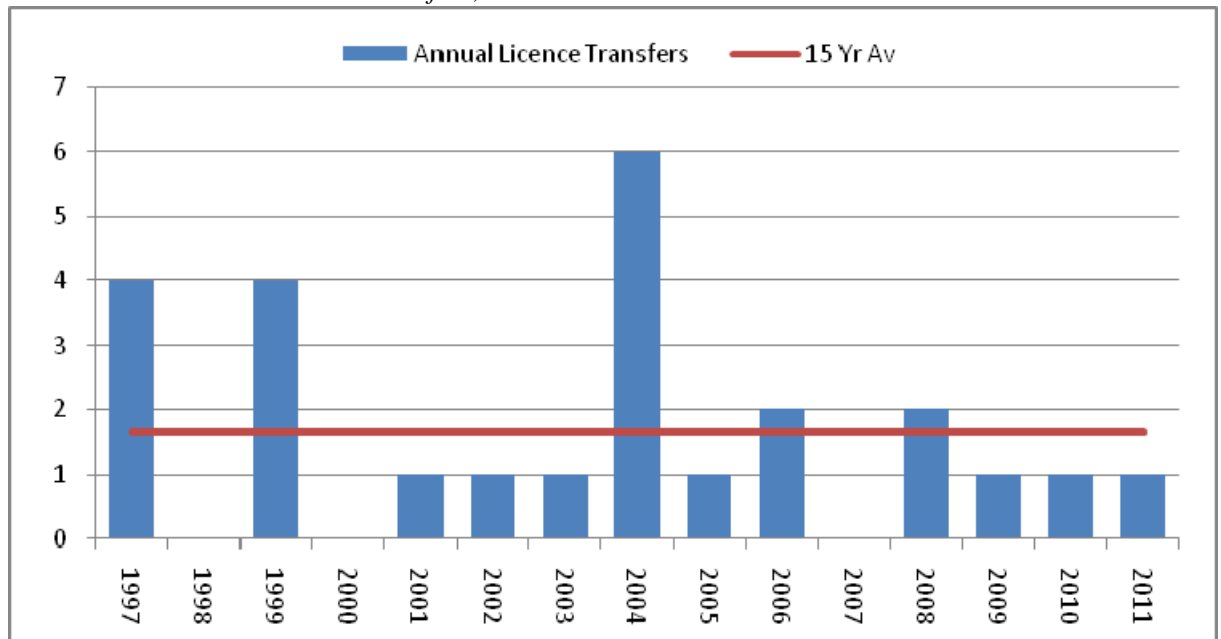
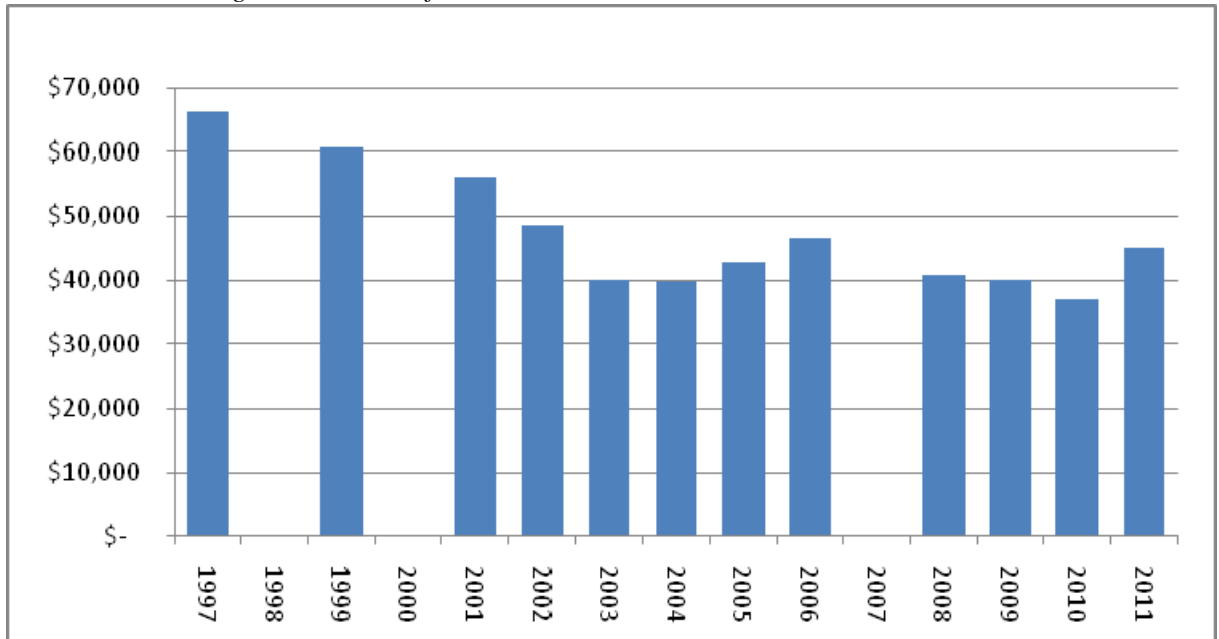


Chart B.3.2. gives the average sale price of licences in the Burnie taxi area since 1997. It indicates that the trend since 1997 has been for a reduction in licence values; however the price appears to have stabilised at around \$40,000 since the early 2000s.

Chart B.3.2: Average Annual Transfer Price – Burnie 1997-2011



The precise reasons for this decline since 1997 are unknown. The ‘capped price’ of Burnie taxi licences under the 1995 Taxi Act was \$78,000, which would explain the relatively high initial values in this graph.

External factors in the region, such as changing demographics (e.g. Burnie experienced a population fall of 6 per cent from 1996 to 2001 – and over 12 per cent from 1991 to 2001) and a significant decline in the number of passenger movements at the Burnie (Wynyard) Airport (passenger numbers declined by 20 per cent over the period 1997 to 2003), are no doubt relevant.

B.4 Devonport taxi area

As in the case of Burnie, taxi services in Devonport are provided by a monopoly, with the difference being that all of the licences are owned and operated by a single company (not a co-operative). This company is also the monopoly provider of taxi despatch services in the area.

Currently, there are 23 perpetual licences on issue in Devonport. Prior to one being purchased by the incumbent operator in the 2007 tender, the number had remained at 22 for many years. No tenders have been received for any OOTLs since the inception of that licence regime. A single WAT has been operated in Devonport since 2004 (also by the incumbent taxi company).

The ownership arrangement in Devonport is the probable reason that no licence transfers have been recorded since 1997.

C Stakeholders consulted

Name	Position/ role	Group meeting	Individual meeting	Public meeting	Written submission
Steve Cheetham	Network owner/ operator		✓		
Ross Butler	Driver		✓	✓	✓
John Campton	Former owner/ operator		✓	✓	✓
Toby Green	Network owner/ operator	✓			
Tim Green	Network administrator	✓			
Roger Burdon	Network owner/ operator	✓		✓	
Stuart Isles	Network owner/ operator	✓			
Robert Postma	Owner/ operator	✓			
Robin Jones	Network owner/ operator	✓			
Dane Porter	Network owner/ operator	✓		✓	
Shane Stewart	Network owner/ operator	✓		✓	
John Morris	Owner/ operator	✓			✓
Stuart Lovell	Owner/ operator	✓			
Tony Jakobovski	Owner/ operator	✓			
Bernie Keegan	Driver	✓			
Michael Cripps	Owner/ operator	✓			
Pamela Graham/ Stephen Douglas	Launceston Airport		✓		
Melinda Percival	Hobart International Airport		✓		✓
Jenny Stanzel	Paraquad		✓		

Name	Position/ role	Group meeting	Individual meeting	Public meeting	Written submission
David Gordon	Tasmanians with Disabilities		✓		
David Clements	National Disability Services		✓		
Robin Banks	Anti-Discrimination Commissioner		✓		
Luke Martin	Tourism Industry Council		✓		
Gus Risberg	TASCOSS			✓	
Stuart Davies	CEO, Community Transport Services Tas.			✓	
Tony Bell	Owner/ operator			✓	
Gabriel Konnyang	Owner/ operator			✓	
Hassan Khalif	Owner/ operator			✓	
Jen Newman	Reg. Development . Aust. (Tas)			✓	
Peter Ujang	Driver (WAT)			✓	
Lyell Clements	Driver (WAT)			✓	
Peter Cooper	Owner/ driver			✓	
David Cawthorn	User (Paraquad)			✓	
Gregory Perry	User			✓	
Maree Underwood	Network Manager (Taxi Combined Devonport)			✓	
Steve Newitt	Owner/ operator (Devonport)			✓	

Name	Position/ role	Group meeting	Individual meeting	Public meeting	Written submission
Nigel Sutton	Owner/ driver			✓	
Fred Hunn	Manager Ulverstone Taxis			✓	
Paul Cole	Owner/ driver			✓	
Steve Nielsen	Owner/ driver			✓	
Sam Nielsen	Driver			✓	
Phillip Cullen	Owner/ driver			✓	
Dennis Eiffe	User			✓	
Elizabeth Harkness	Owner			✓	
David Holland	Owner/ driver			✓	
Dom Harkness	Owner			✓	
John Byers	Owner			✓	
Michael Newton	Owner			✓	
Terry Van Dyk	Owner/ driver/ lessee			✓	
Mohammad Ashi Afshani	Owner			✓	
Tony Dilger	Operations Manager			✓	
Chris Cooney	Operator			✓	
Peter Sherriff	Driver			✓	
Collin Thatcher	Owner			✓	
Paul Reid	WAT driver			✓	

Name	Position/ role	Group meeting	Individual meeting	Public meeting	Written submission
Norris Foster	Owner/driver			✓	
Albino Mario	Driver			✓	
Kuan Lual	Driver			✓	
Muhammad Nawaz	Driver			✓	
Emado Boabou	Driver			✓	
Ray Glynn	Driver			✓	
Theus Matthew	Driver			✓	
Ramanbreet Singh	Driver			✓	

D Structured questions used in consultation

Core Term #1

- 1 Thinking about the current license release arrangements for OOTLs, what has been the impact on
 - availability, reliability and quality of taxi services?
 - operator viability and taxi driver income?
 - competition within the taxi industry and between taxis and other forms of passenger transport?
- 2 Thinking about the policy objectives of the current license release arrangements for OOTLs
 - Have the current licence release arrangements provided greater opportunities for taxi operators and drivers (existing and new) to become established in the taxi industry as taxi licence holders, rather than investors with no interest in actually operating a taxi business? Why or why not?
 - Have the current licence release arrangements provided improving returns to the licence holder, thereby providing the opportunity for them to reinvest more resources in the enhancement of their taxi service, including the potential for improved driver remuneration to taxi drivers? Why or why not?
 - Have the current licence release arrangements provided predictable, regular and greater opportunities to access a new taxi licence, whether to enter the industry or expand an existing operation? Why or why not?

Wheelchair accessible taxi (WAT) licences

- 1 Thinking about the policy objectives of the current license release arrangements for WATs
 - Have the current licence release arrangements provided greater opportunities facilitated a means by which new WAT licences could be released, to ensure that the proportion of these taxis in the overall taxi fleet is, at least, maintained? Why or why not?
 - Have the current licence release arrangements provided adequate means for networks' compliance with Disability Discrimination Act 1992 obligations? Why or why not?
 - Have the current licence release arrangements provided greater opportunities to expand the WAT fleet to regional areas of Tasmania, through (i) the relaxation of initial vehicle standards in those taxi areas deemed to be 'remote'; and (ii) the introduction of provisions enabling operators of standard taxis to use wheelchair accessible vehicles in areas where no WAT service is operating? Why or why not?
 - Have the current licence release arrangements provided arrangements by which WAT vehicles could be replaced with substitute vehicles to address temporary operational problems? Why or why not?

- To what extent are there limitations on demand for WAT services, or other institutional factors, that may be creating a legitimate barrier to some WAT operators undertaking a significant amount of such work?

Core Term #2

- 1 What changes, if any would you like to see made to the current license release arrangements for OOTLs to address any concerns?
- 2 What changes should be made to the regulatory arrangements for WAT operators that would address your concerns in order to:
 - improve WAT performance in respect to WAT operators and radio networks according appropriate priority to wheelchair-reliant customers; and
 - assist radio networks in meeting the response time performance standards in place under the Disability Standards for Accessible Public Transport 2002 (Cth).

Core Term #3

- 1 To what extent, if any, have the current licence release arrangements impacted on taxi driver income?
- 2 To what extent, if any, have external market factors impacted on taxi driver income?

Other considerations relevant to the core scope

- 1 Are there any options/ changes that are specific to individual taxi areas, or groupings of taxi areas outside the Hobart area, if appropriate?
- 2 Thinking about the performance measures for standard taxis and WATs – what, if any, measures should be established and periodically collected that are capable of being audited?
- 3 What have been any practical and/or operational implications of the increase in the number of taxis operating, including such matters as the distribution and capacity of taxi ranks and traffic congestion and/or other negative outcomes at specific locations (e.g. airports)
- 4 What would be the case for existing PTLs to be converted to OOTLs/WATs over time, plus (if justified) and how could this be achieved?
- 5 What would be the implications the implications of alternatives in terms of Government resources, for example in respect to ongoing administrative processes?

E Taxi vehicle travel data analysis

This appendix contains graphs from DIER’s Vehicle Kilometre Analysis report which was provided to the review in December 2012. The data was obtained by attaining a list of vehicles that were registered at 31 October 2012 or had been registered within 3 months of this date with category 6 MAIB insurance premiums. Category 6 MAIB premiums are required for any vehicle to undertake taxi or luxury hire car work in Tasmania. This list of 784 individual vehicles was then entered into DIER’s electronic document management system, TRIM, to obtain copies of all relevant vehicle Inspection Reports applicable to these vehicles. Kilometre readings from these reports were then entered into a spreadsheet and the following charts show elements of this data.

Source: Department of Infrastructure, Energy and Resources: Taxi and Luxury Hire Car Industries act 2008 – Review of Taxi Licence Release Arrangements (and Associated Issues), Vehicle Kilometre Analysis, December 2012

E.1 State wide taxi services

Chart E.1.1

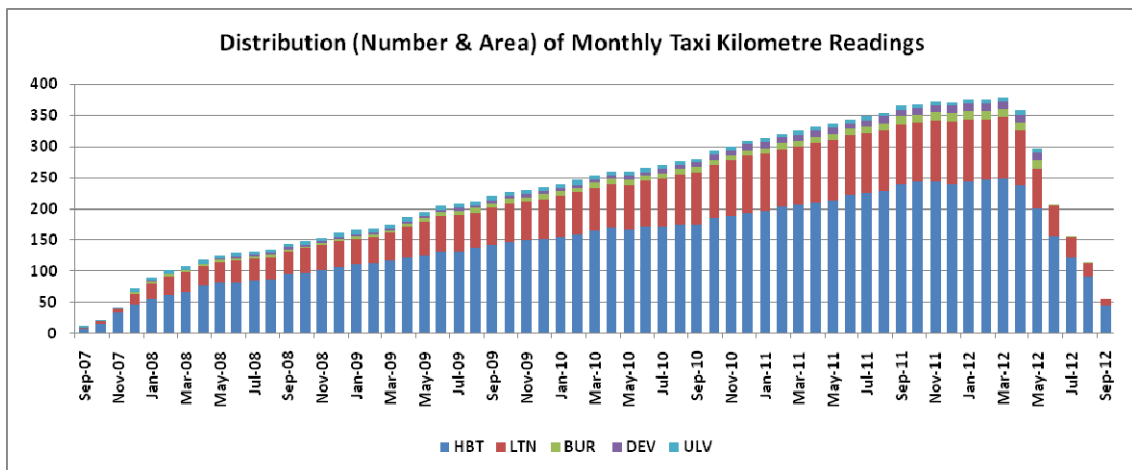
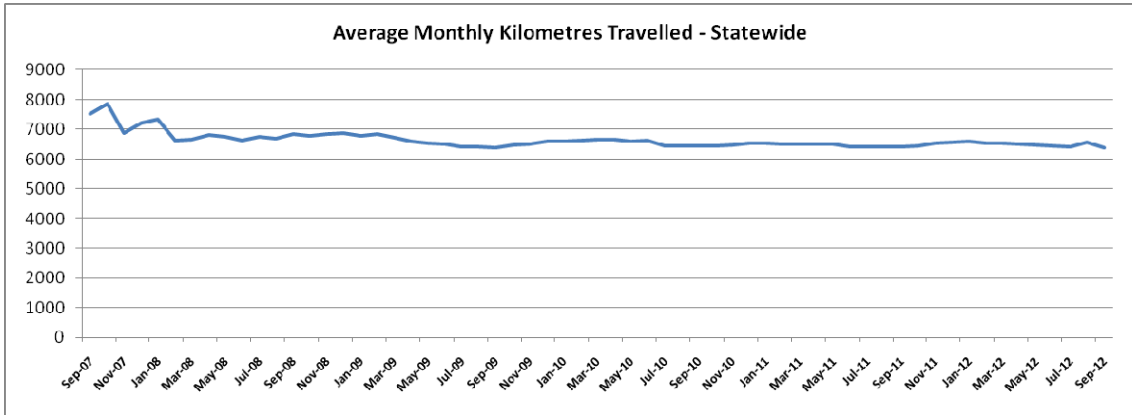


Chart E.1.2



E.2 Hobart taxi area

Chart E.2.1

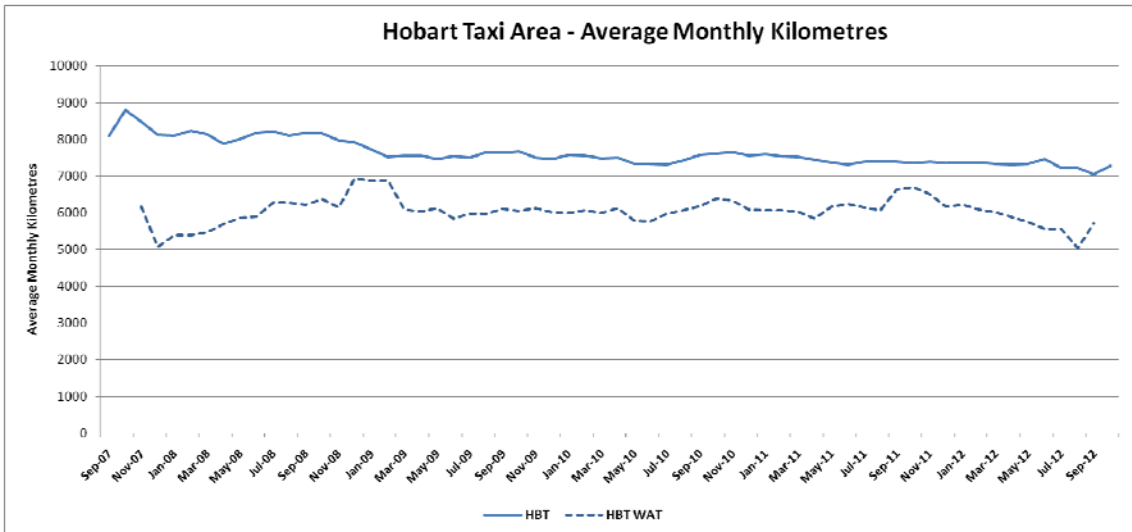


Chart E.2.2

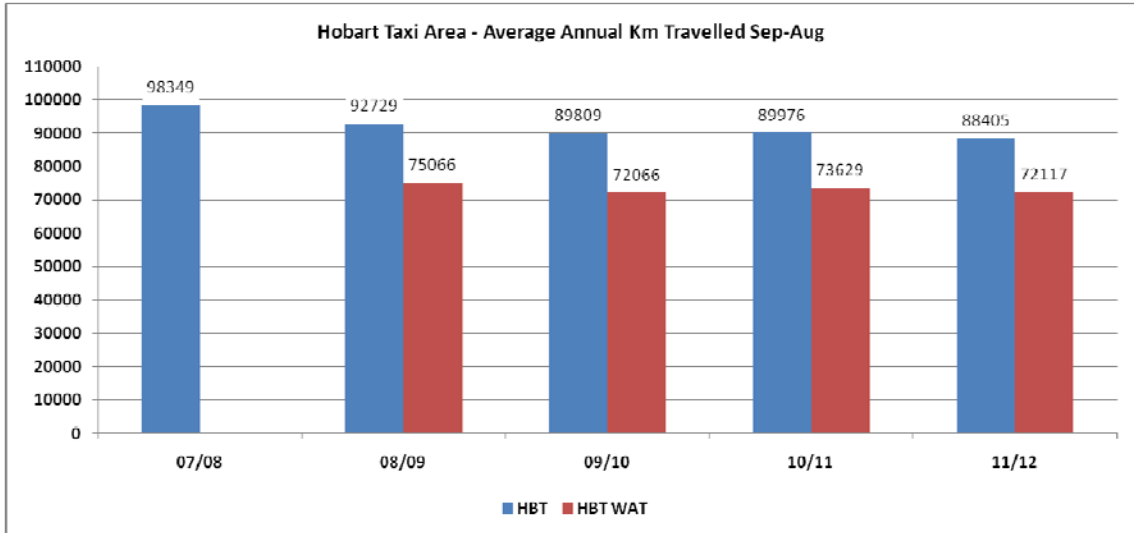


Chart E.2.3

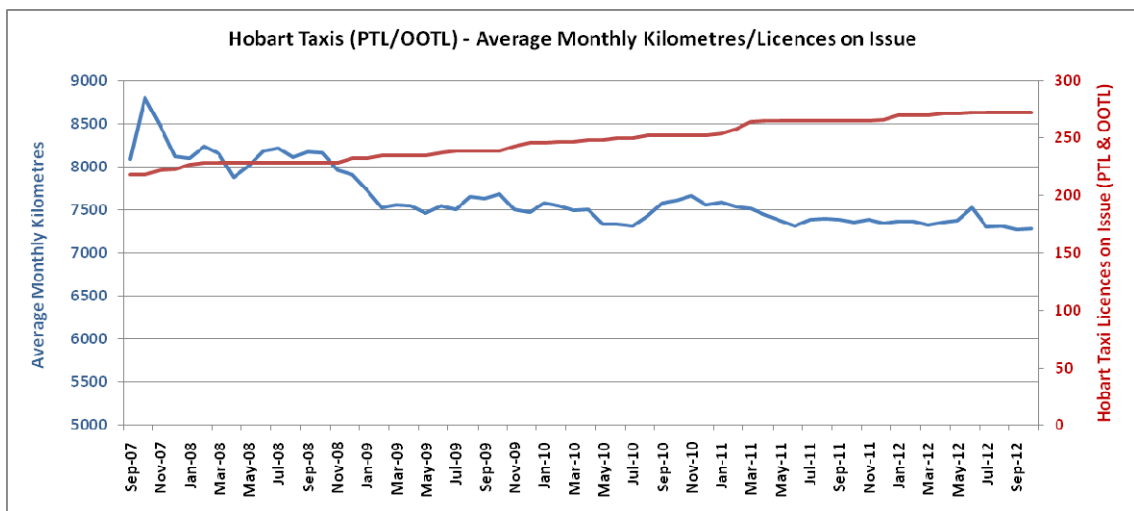


Chart E.2.4

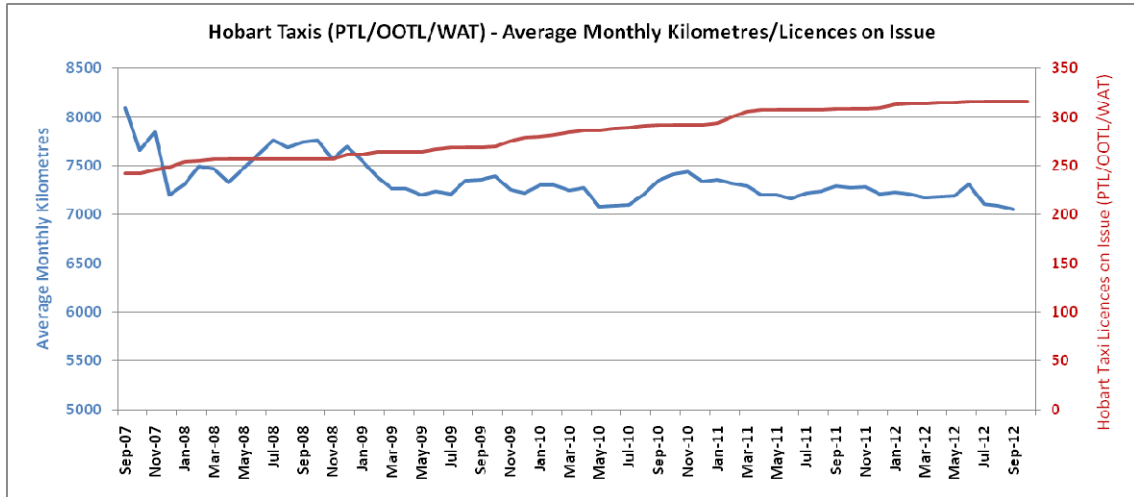


Chart E.2.5

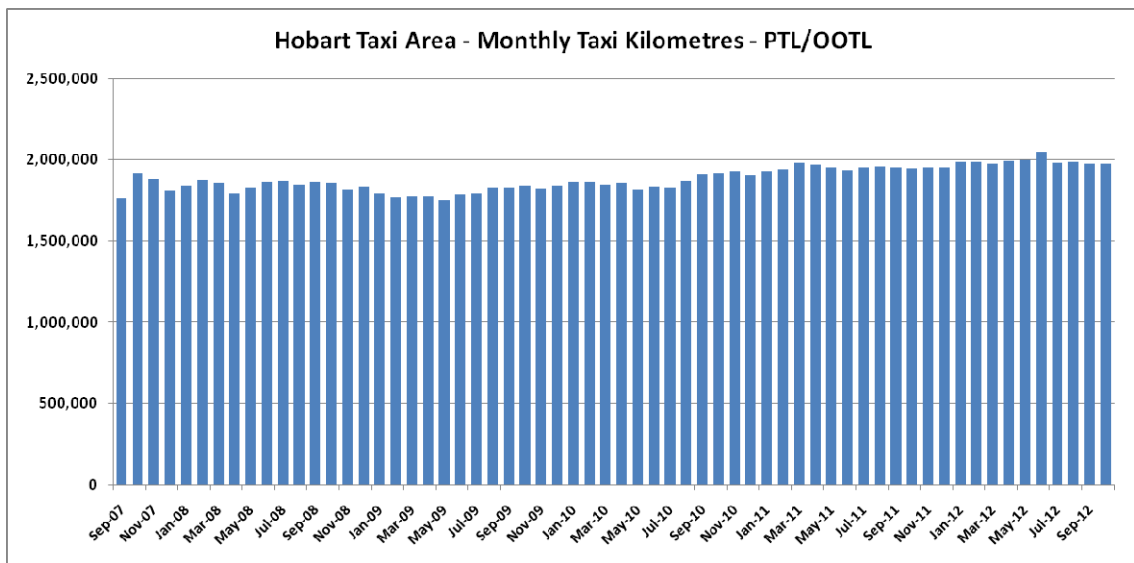


Chart E.2.6

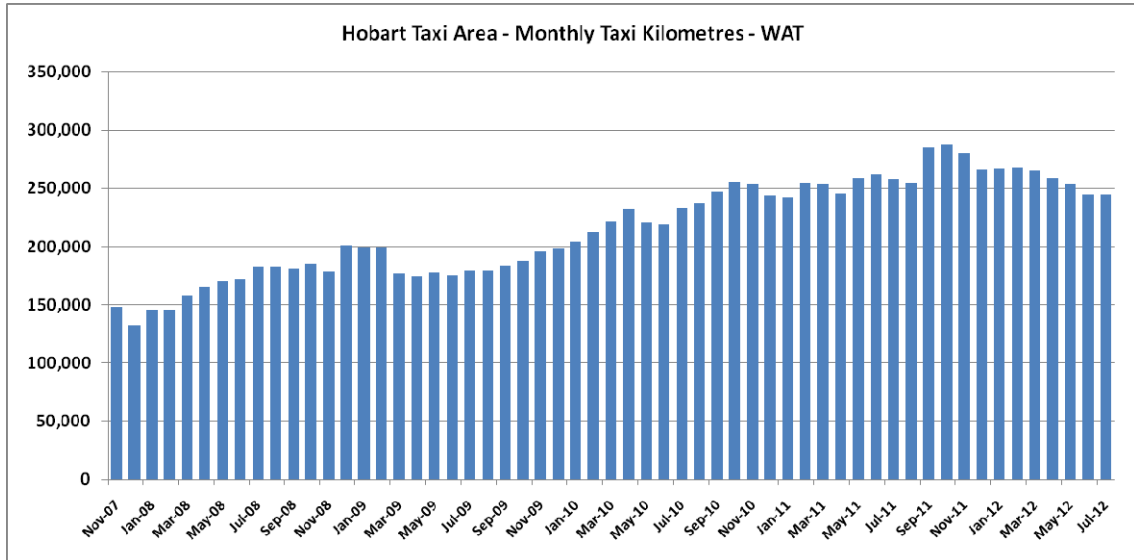
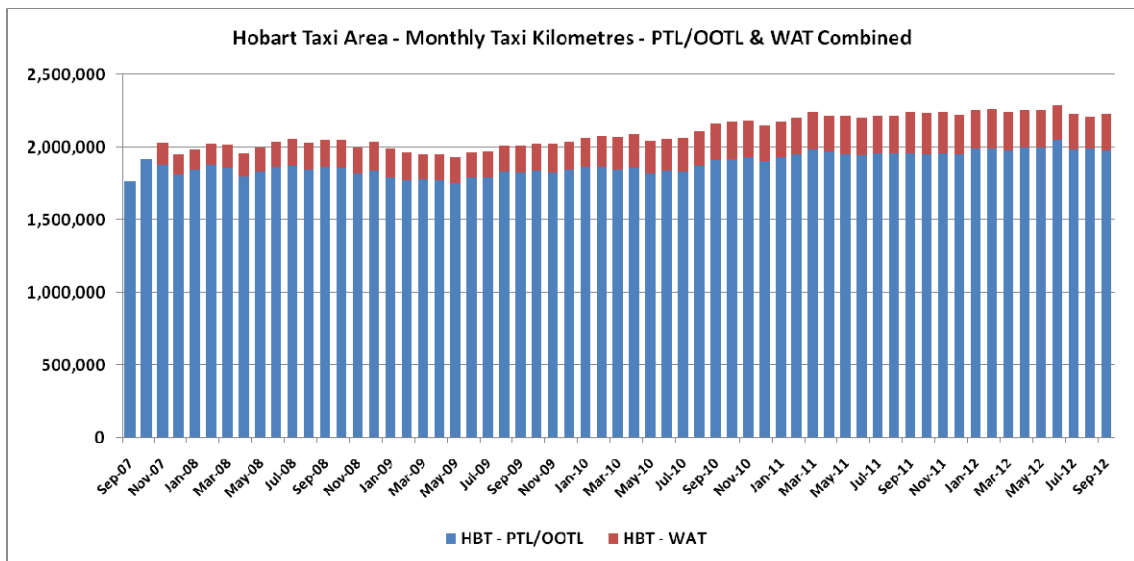


Chart E.2.7



E.3 Launceston taxi area

Chart E.3.1

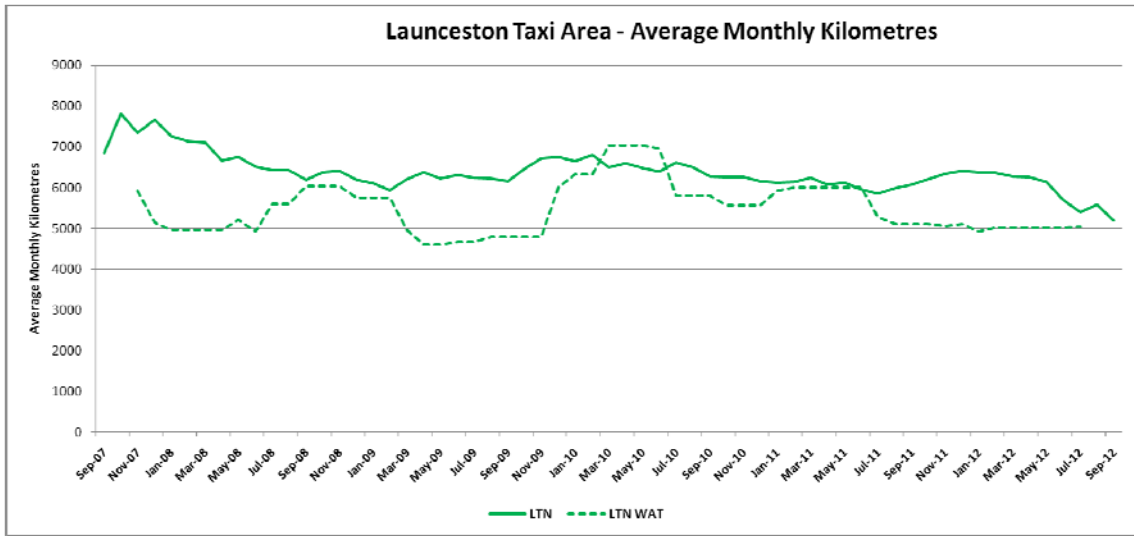


Chart E.3.2

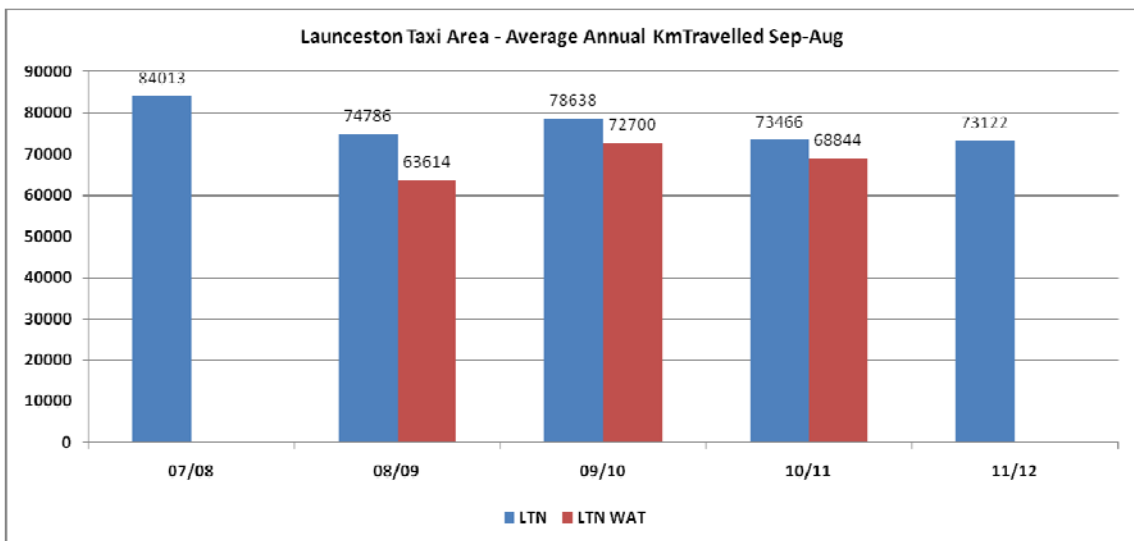
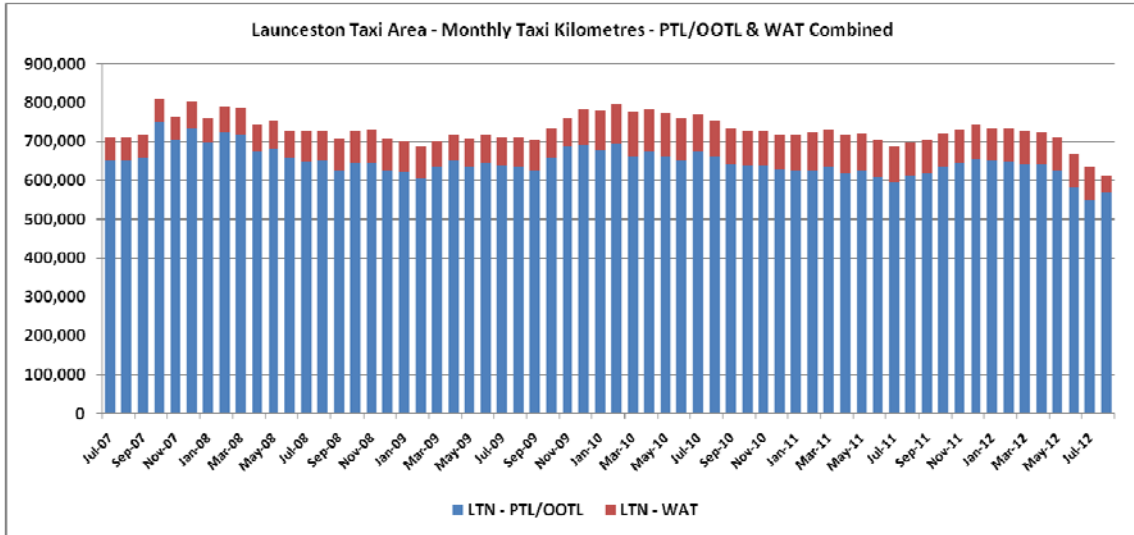


Chart E.3.3



E.4 Devonport, Burnie and Ulverstone taxi areas

Chart E.4.1

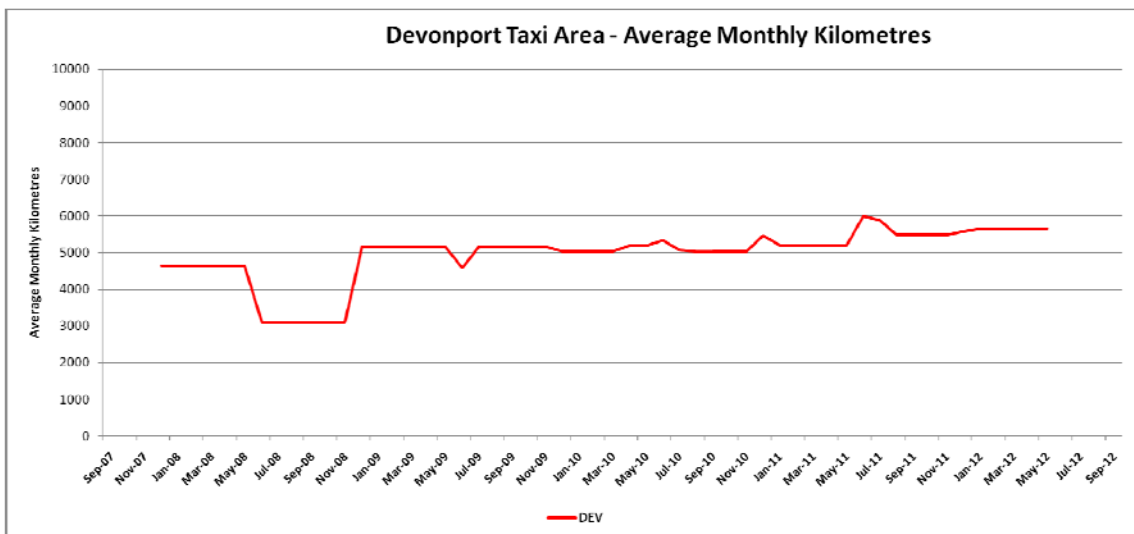


Chart E.4.2

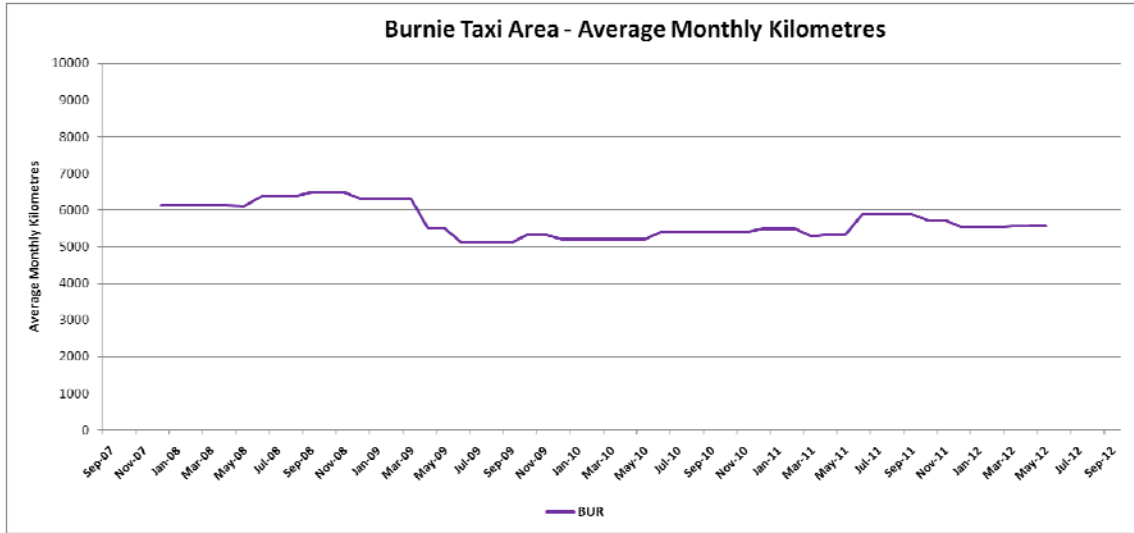
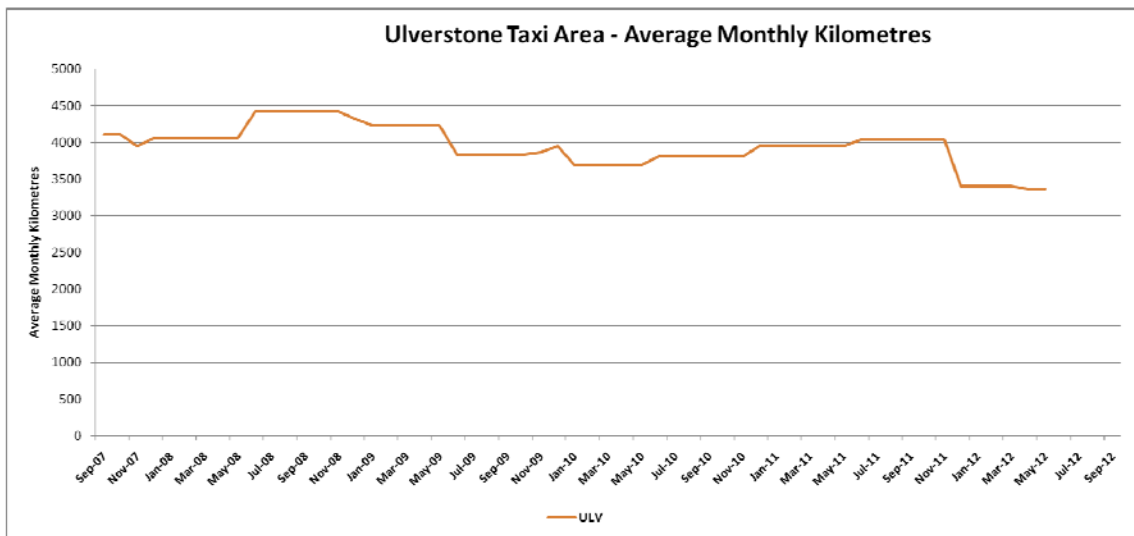


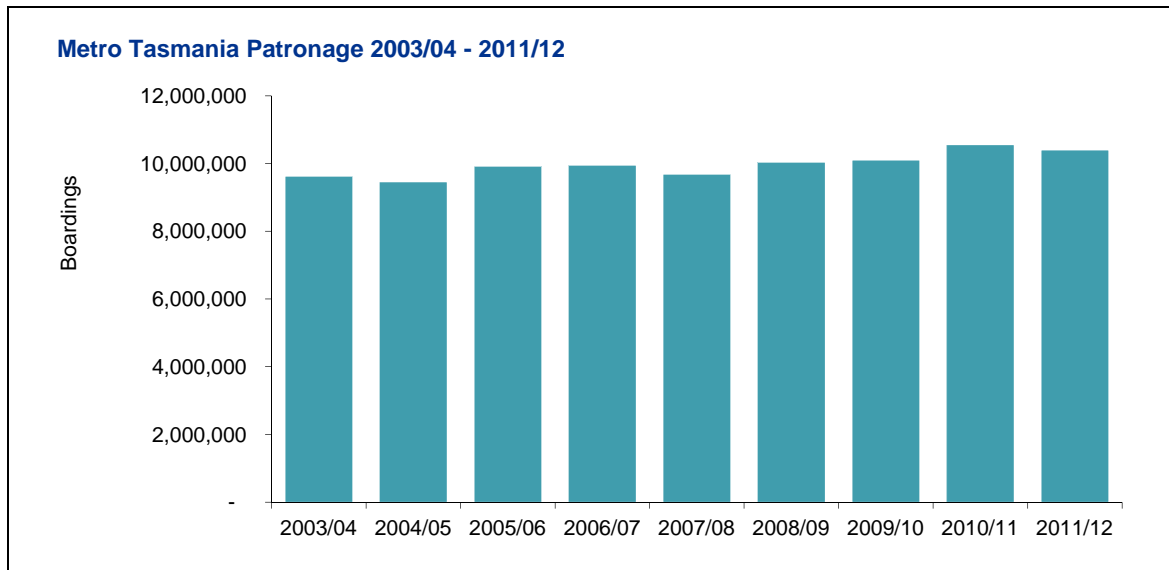
Chart E.4.3



F Competitive forces

F.1 Competition from Metro

Chart F.1.1

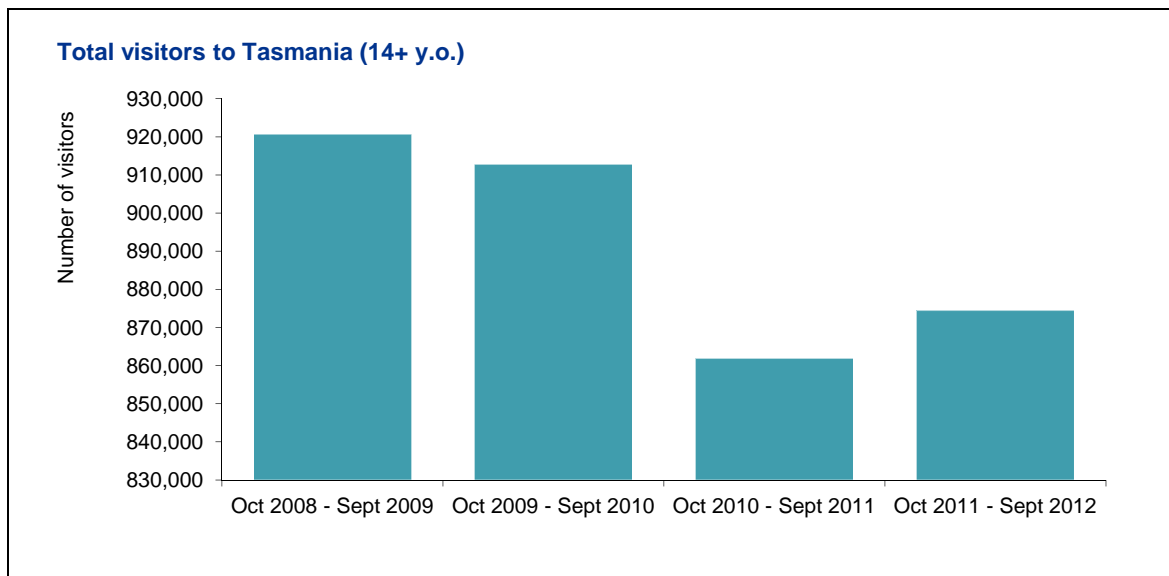


Source: Metro Tasmania annual reports 2003/2004 till 2011/2012

G External market forces

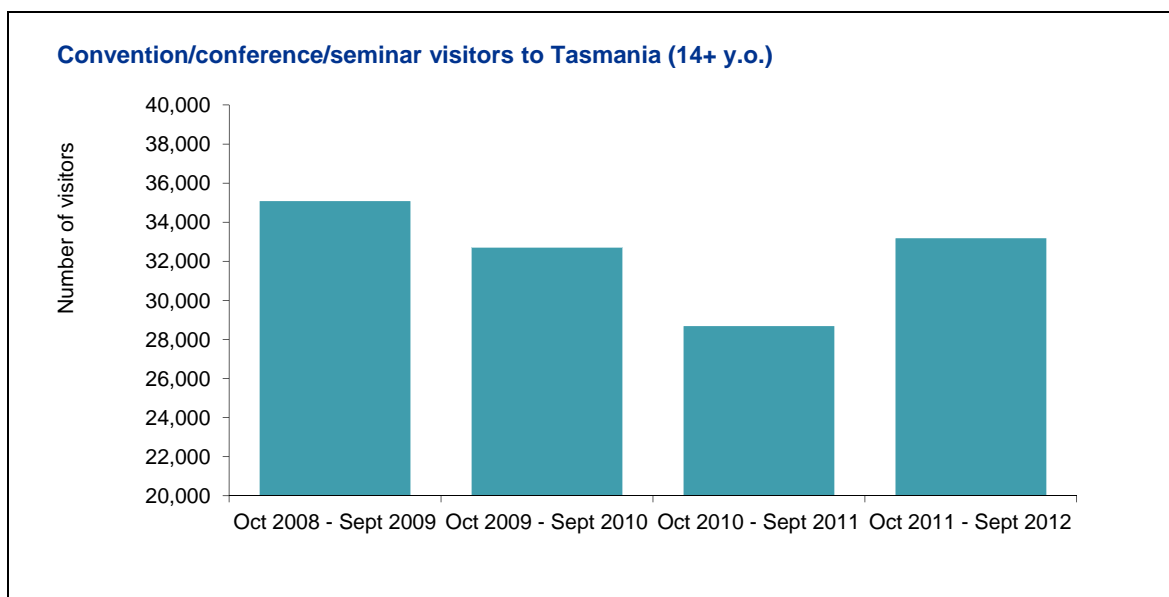
G.1 Visitor numbers and convention/ seminar delegates

Chart G.1.1



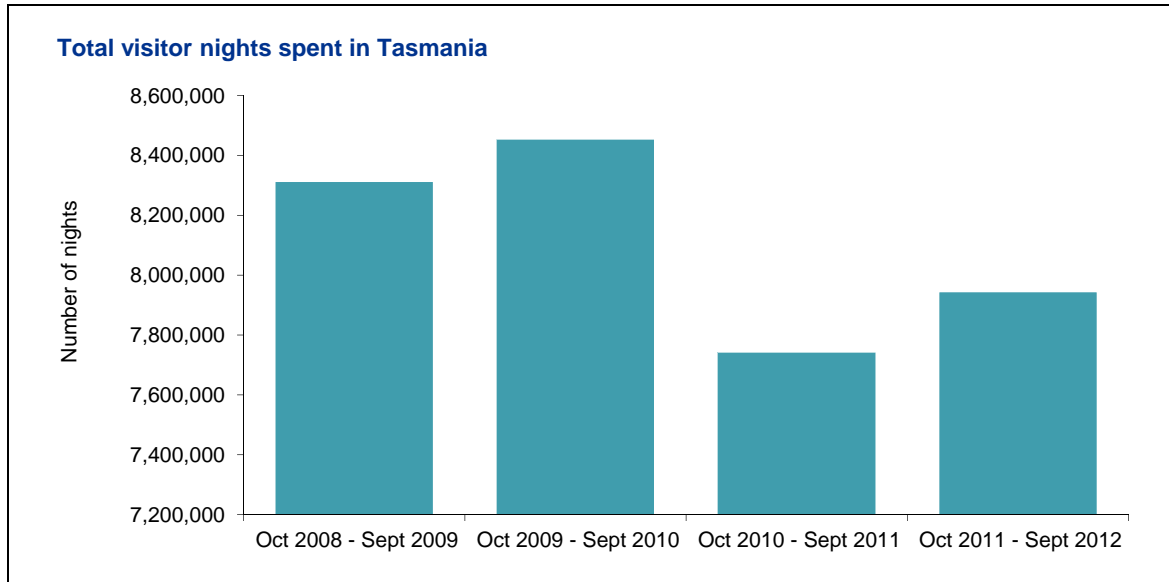
Source: Tourism Tasmania Snapshot for years ending June 2010, June 2011 and June 2012, http://www.tourismtasmania.com.au/research/visitors/visitor_snapshot_archive.

Chart G.1.2



Source: Tourism Tasmania Snapshot for years ending June 2010, June 2011 and June 2012, http://www.tourismtasmania.com.au/research/visitors/visitor_snapshot_archive.

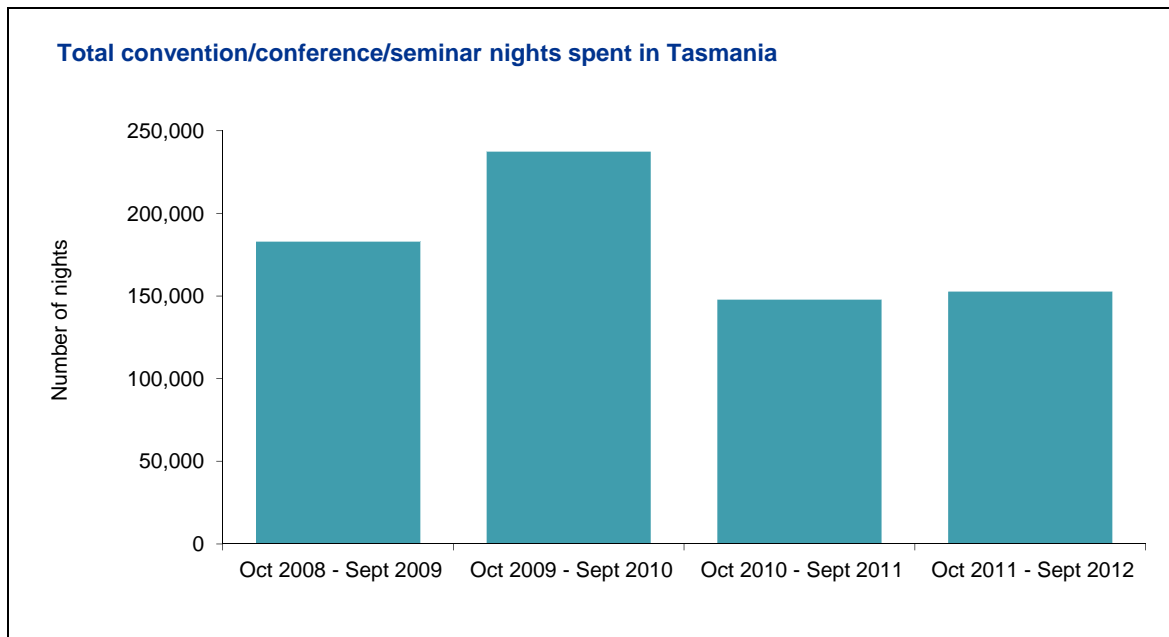
Chart G.1.3



Source: Tasmanian Visitor Survey.

<http://webreporter.asteroid.com.au/webreporter/treports/?event=showPeriodicReport&styleName=PrComp&reportName=/TASMANIAN%20VISITOR%20SURVEY/1%20TOTAL%20VISITORS%20TO%20TASMANIA/Table%203%20Total%20Nights%20Spent%20in%20Tasmania%20by%20Purpose%20of%20Travel.xml&reportTitle=Table%203%20Total%20Nights%20Spent%20in%20Tasmania%20by%20Purpose%20of%20Travel&format=round-100>

Chart G.1.4

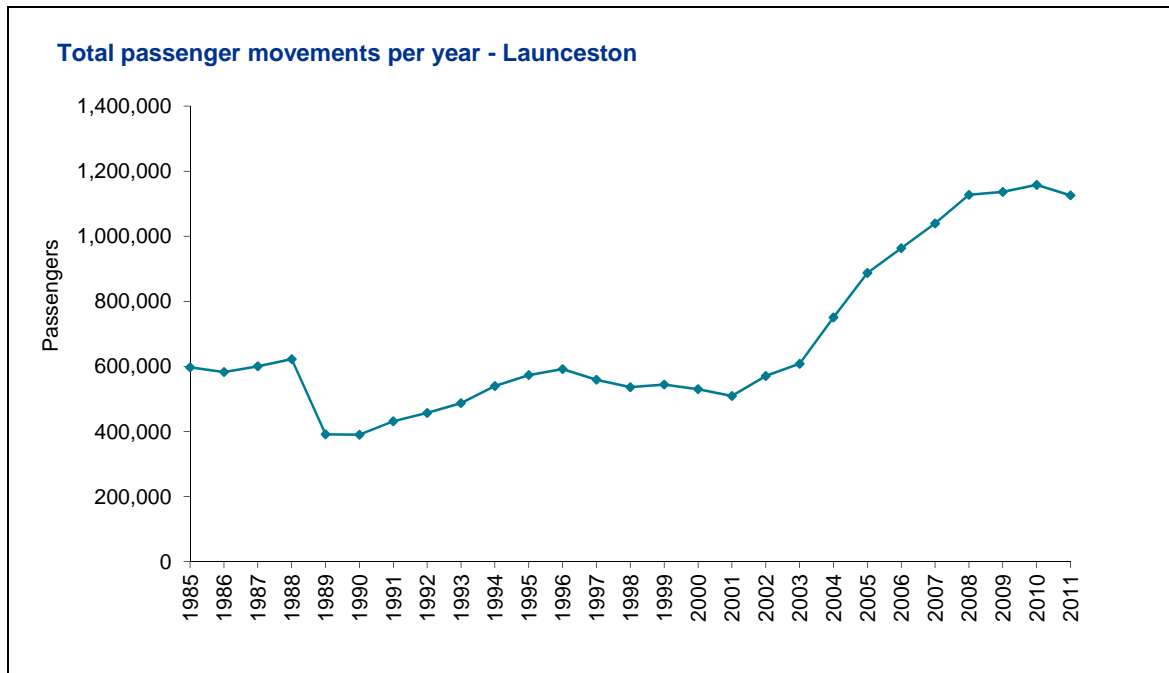


Source: Tasmanian Visitor Survey.

<http://webreporter.asteroid.com.au/webreporter/treports/?event=showPeriodicReport&styleName=PrComp&reportName=/TASMANIAN%20VISITOR%20SURVEY/1%20TOTAL%20VISITORS%20TO%20TASMANIA/Table%203%20Total%20Nights%20Spent%20in%20Tasmania%20by%20Purpose%20of%20Travel.xml&reportTitle=Table%203%20Total%20Nights%20Spent%20in%20Tasmania%20by%20Purpose%20of%20Travel&format=round-100>

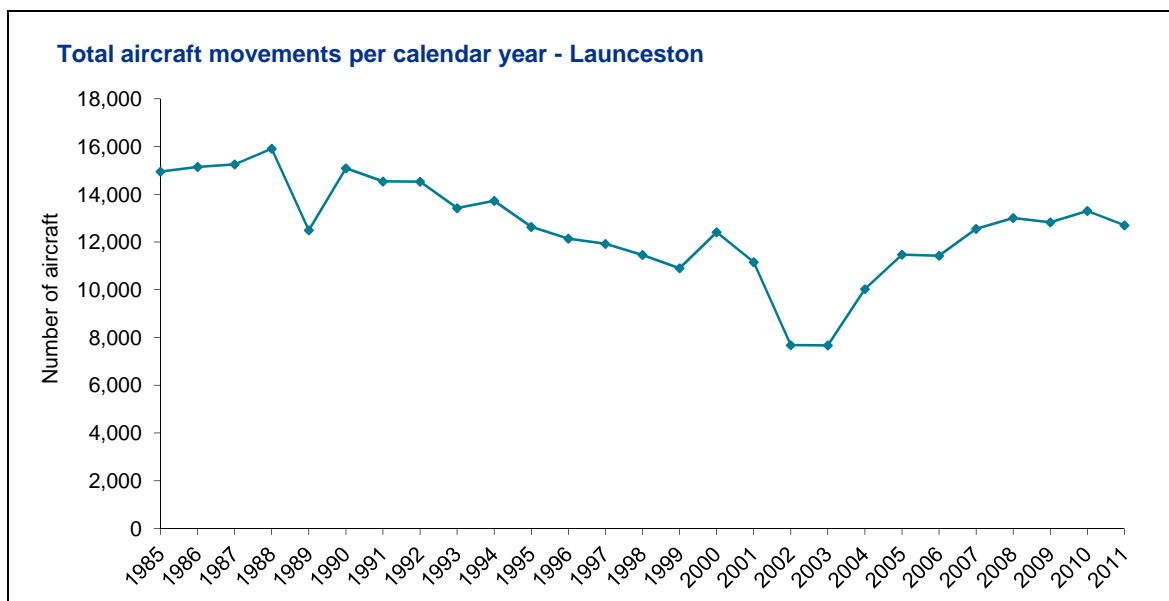
G.2 Air passenger and air traffic movements

Chart G.2.1



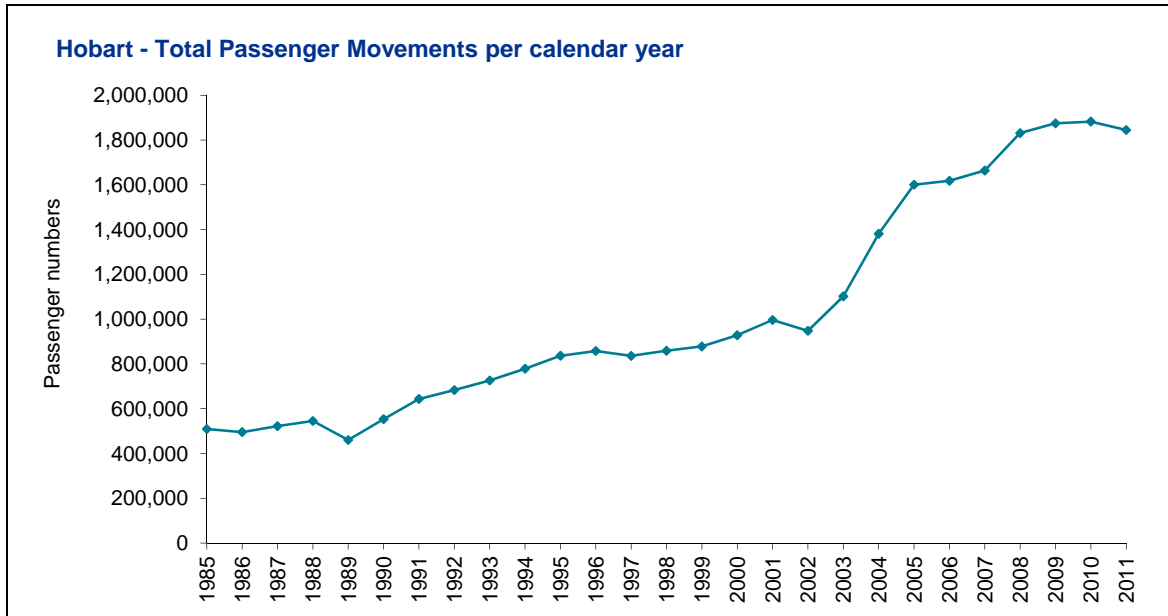
Source: Department of Infrastructure and Transport, Bitre, Airport Traffic data 1985-86 to 2011-12, http://www.bitre.gov.au/publications/ongoing/airport_traffic_data.aspx.

Chart G.2.2



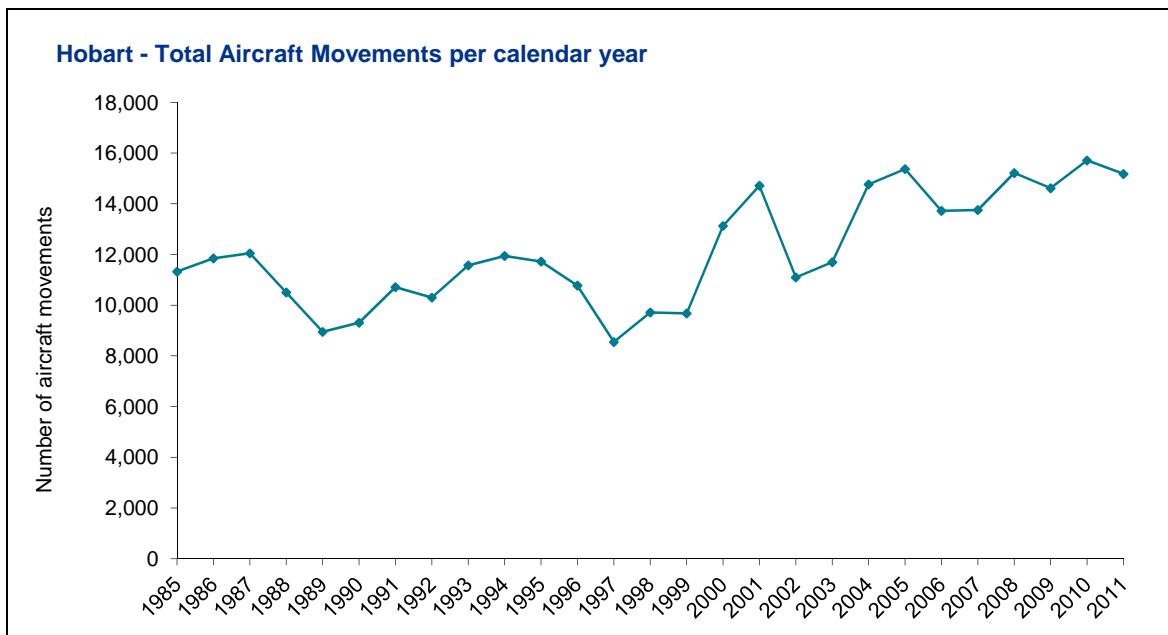
Source: Department of Infrastructure and Transport, Bitre, Airport Traffic data 1985-86 to 2011-12, http://www.bitre.gov.au/publications/ongoing/airport_traffic_data.aspx.

Chart G.2.3



Source: Department of Infrastructure and Transport, Bitre, Airport Traffic data 1985-86 to 2011-12, http://www.bitre.gov.au/publications/ongoing/airport_traffic_data.aspx.

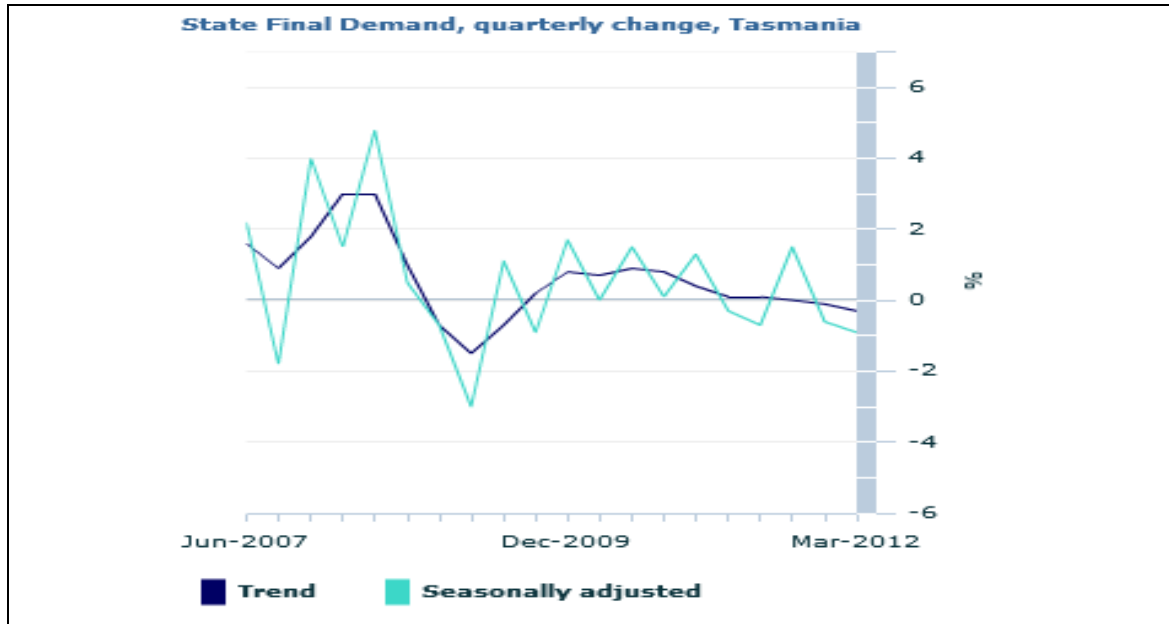
Chart G.2.4



Source: Department of Infrastructure and Transport, Bitre, Airport Traffic data 1985-86 to 2011-12, http://www.bitre.gov.au/publications/ongoing/airport_traffic_data.aspx.

G.3 Local economic indicators

Chart G.3.1



Source: Australian Bureau of Statistics, 1367.0 – State and territory Statistical Indicators, 2012, <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1367.0~2012~Main%20Features~State%20Final%20Demand~7.2>.

Chart G.3.2

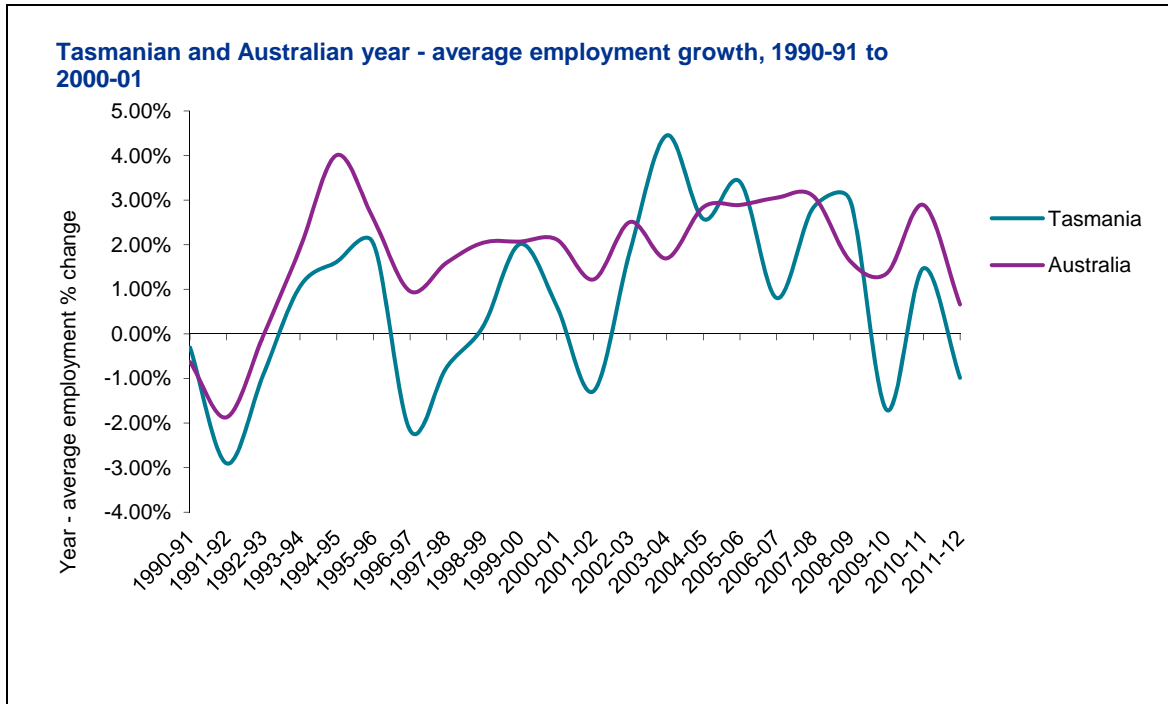
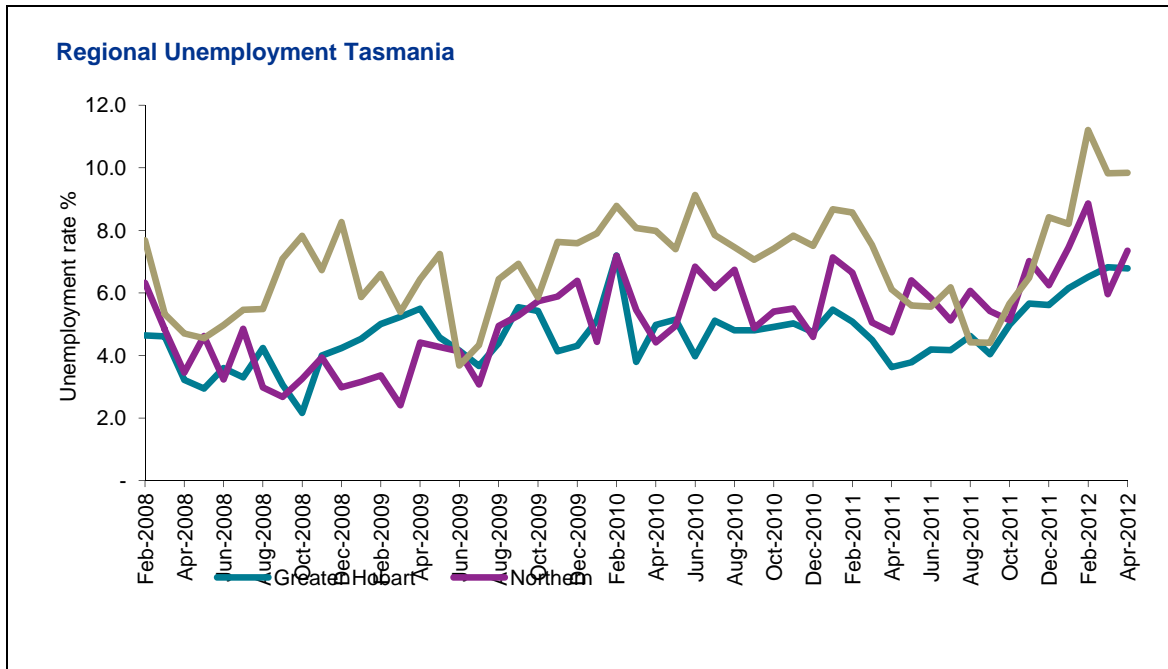


Chart G.3.3



H Case studies of alternative regulatory models

H.1 Northern Territory – Deregulation

In 1999, following the National Competition Policy review, the Northern Territory became the first and only jurisdiction in Australia to remove quantity restrictions on taxi licences.

The approach to deregulation in this instance constituted a licence buy-back and reissue scheme:

- Existing licences were bought back at a price based on the last tendered price of a taxi licence in the particular area plus CPI – in Darwin the price was \$95,000 per licence.
- Licences were then reissued on demand (no quantitative limit) for an annual licence fee – the annual licence fee in Darwin was \$16,000 – with this cost planned to be removed after the costs of ‘compensation’ (that is, the initial buy-back) were recouped. However, the annual licence fee has remained and continues to be charged some 13 years after the initial removal of supply restrictions.

Taxi numbers increased immediately after deregulation, improving taxi availability. However, by the end of 2001 and with the election of a new government, the open entry regime was quickly reversed and a temporary cap on the number of commercial passenger vehicle licences put in place.

The new Northern Territory Government cited poor returns and poorly trained and motivated drivers as the main reason for this reversal. Interestingly, the Government also declared that the reversal was needed before specific issues relating to poor quality standards were addressed. This cap has since been made permanent for Darwin and Alice Springs, with open entry permitted elsewhere.

While some commentators cite the upheaval following deregulation in the Northern Territory as an argument against open entry regimes, the somewhat hasty and short-sighted reversal of deregulation in this case may not have allowed the benefits of deregulation enough time to filter through the system to consumers.

H.2 New Zealand’s experience

In 1989, the taxi industry for the whole of New Zealand was deregulated. Quantitative entry restrictions for taxis and limousines, now known as Small Passenger Vehicles, were removed.

Following deregulation, there were complaints relating to small operators exploiting customers and poor service standards. Several measures were introduced – and later strengthened – to combat these problems, including the introduction of a requirement for licence holders to be affiliated to an ATO.

ATOs are now required to have telephone booking capabilities, provide a 24/7 service and maintain a register of complaints. Currently, ATOs must have in place operating rules that have been approved by the NZTA and must ensure that their members and drivers comply with these rules. While the NZTA provide draft rules, networks are allowed to adopt their own rules subject to approval.

Other measures introduced include the ‘area of knowledge certificate’ for new taxi drivers, responding to complaints about taxi drivers having poor geographic knowledge and poor

English skills. A specialised Taxi Compliance Unit was established within the regulator to strengthen taxi enforcement and compliance following two reports by New Zealand's Auditor-General in 2005 and 2007.

The New Zealand experience highlights the importance of quality regulations and effective enforcement following the removal of entry restrictions. Despite the initial undesirable experiences of entry deregulation, the strengthening of quality regulations and enforcement has produced generally positive results for the New Zealand taxi industry.

H.3 Deregulation in Ireland

From 1978 to 1999, the Irish Government maintained quantitative restrictions on the number of taxi licences issued. Throughout this period, the number of licences issued failed to keep pace with the demand for taxi services and there was widespread customer dissatisfaction with the poor availability of taxis in peak periods.

Licence values in Dublin were in excess of IR£100,000 in 2000. Over the same period, there was strong growth in the number of hire car licences, which has no restriction on the number of licenses issued

In 1999, amid calls for deregulation of the industry, the Irish Government decided to increase the number of taxi licences by issuing 2,600 additional licence to existing licensees and 500 licences to new entrants, with preference given to current taxi drivers.

The Government's actions were challenged in the courts because of the preferential treatment given to current licensees over new entrants. The Irish High Court found that the Government did not have the power to restrict the rights of entrants where the criteria were unrelated to qualitative standards. Following this decision, the Government effectively removed quantity restrictions overnight.

The Government also determined that no compensation was to be paid to licence holders. This decision was also challenged in the courts, where the Irish High Court made it clear there was no legal obligation on the Government's part to compensate operators for losses associated with changes of license value.

Further lobbying by former licence holders led the Government to establish a Taxi Hardship Panel to examine cases where extreme personal financial hardship was alleged as a result of these measures.

The panel did not consider compensation for loss of licence value as such; rather, it considered payments 'solace'. Total payments of about €16.5 million were made, which represented less than five per cent of the total cost of paying full compensation.

H.4 Singapore's regulatory regime

In 2003, the Government removed quantity entry restrictions on licences. However, while there are no quantity restrictions on the number of taxi licences in the market, taxi licences are only released to taxi networks. A minimum fleet size also applied, with taxi networks in Singapore required to have acquired 400 taxi plates within the first four years of commencement. The inquiry is aware that consideration is being given to increasing this number to 800 in the near future.

Networks are also subject to conditions when obtaining a new taxi licence, including Quality of Service Standards.

Performance against these standards is monitored monthly and audits are conducted every two years. Taxi network performance is published on the regulator's website. Networks failing to meet the standards required may be subject to financial penalties and possible suspension or revocation of licences.

Only drivers over 30 years of age are allowed to obtain a licence to drive a taxi and are subject to a demerit penalty point system, as well as fines for scheduled offences. The limited supply of drivers and significant union representation has meant that drivers can earn a decent living.

In the seven years prior to entry deregulation, licences increased by 14.5 per cent; in the seven years following the removal of entry restrictions, licence numbers increased by 35.1 per cent. Since 2003, only four new networks have entered the market and there are frequent allegations of price leadership and collusion between networks.

The relaxation of entry restrictions has not increased taxi numbers dramatically, as experienced in other places. This is partly due to the requirement that all private and commercial passenger vehicles in Singapore must obtain a permit to operate under its congestion plan (known as a Certificate of Entitlement) and these are limited. The cost of this is currently upwards of S\$56,000. When combined with the minimum fleet size of networks, this makes new entry difficult.

H.5 London's quality controls

London is often cited by taxi users, industry experts and others as providing a high quality commercial passenger vehicle service.

London has over 23,000 licensed taxis and 25,000 licensed taxi drivers. The city has a unique regulatory scheme: taxi numbers are not capped but barriers to entry are especially high because of the 'The Knowledge' test, which requires taxi driver applicants to have an intimate knowledge of London's geography. All taxi drivers must complete 'The Knowledge' and applicants can test for approval to drive either within the entire Greater London area or a smaller suburban zone. Studying to pass the All-London Knowledge test requires a commitment of at least two to three years. The inquiry has been told that the current average time for completing the test is stretching out to around four years. It is understood this is due to demand from drivers and administrative delays.

Greater London area applicants need to have a detailed knowledge of London within a six mile radius of Charing Cross. Drivers have to learn 320 routes and landmarks and places of interest along these routes. They must also know all routes in reverse due to changed traffic conditions in different directions. Applicants who choose to be licensed in suburban zones must know between 30 and 51 routes in detail.

The Knowledge exam consists of a written test and a series of interviews where applicants have to be able to answer a series of practical questions about taxi journeys and routes. This is followed by a practical driving examination.

London taxi services consistently record high levels of customer satisfaction. According to the 2011 annual taxi report compiled by Hotels.com, London recorded the highest level of customer satisfaction of any city for the past four years, despite London taxis being the most expensive.

The survey measured cleanliness, friendliness, driving quality, knowledge of area, safety, availability and value for money.

It is generally recognised that ‘The Knowledge’, in combination with the fact that drivers are effectively allowed to be ‘their own bosses’, plays a central role in promoting high quality taxi standards in London.

I Trends and key lessons from the Fels Inquiry

I.1 Trend to freer entry model

While views about these basic models vary from place to place, there does appear to be a global trend towards a *freer entry model*, with most jurisdictions recognising that it will provide much better outcomes over the longer term.

Increasing numbers of OECD countries have removed or loosened supply restrictions on taxis. The results of these reforms have been strongly positive, with reduced waiting times, increased consumer satisfaction and, in many cases, falling prices being observed.

The prevailing impetus has been to promote taxi market competition through removing the onus on government to determine supply, demand and/or efficient prices and allowing market forces to play out.

There is a strong expectation that the number of taxi licences issued by government in a closed entry market is not optimal.

Indeed, the effects of quantity entry restrictions is that they prevent entry that otherwise would occur in an open entry market. In doing so, the inquiry expects that some trips that would be covered at times of peak demand are not covered under a quantity entry regime.

I.2 Broader reform program

While most governments – and economists – prefer an open entry model, the practical impediments to implementing such a model can be significant. In particular, when licence values are high, governments may face difficulties in opening up entry due to strong resistance from incumbent license holders.

License liberalization has generally produced positive effects for consumers in the form of improved availability of taxis, better service quality, reduced waiting times and a greater range of services offered.

But it can be disruptive in the short term if it not delivered as part of a wider reform program. Minimum quality controls are needed to reduce the potential negative impacts of liberalisation and ensure adequate outcomes in the taxi industry post liberalisation.

The sequencing of reforms is important, with reform more likely to succeed where service and safety standards are established prior to relaxing entry requirements and where compliance with these standards is closely monitored post-liberalisation.

The choice of fare regime accompanying liberalisation is critical to ensuring that there is not an ‘oversupply’ of taxis following liberalisation and that fares do not rise post-liberalisation.

Looking overseas, the basic regulatory tools available include control of entry, fares, quality and safety. Other regulatory controls cover structural issues, such as affiliation and minimum fleet size.

Each jurisdiction examined had adopted varying combinations of the above controls with mixed results. There has not been a strong focus on the role of competition-based policy to achieve better service standards in the closed entry systems – or in some open entry systems. Although

there does not appear to be a ‘best approach model’ that has worked internationally, the experiences do provide insight into the outcomes that are likely to result from distinct regulatory approaches.

Relaxing entry controls is by itself not a panacea for delivering efficient and competitive markets. An additional focus on what happens to prices and quality of service post-liberalisation is required.

Overseas experiences indicate that the relaxation of entry controls does not, in and of itself, solve taxi competition and efficiency issues. The key learning’s from the inquiry’s examination of international jurisdictions that have liberalised entry controls is that these controls need to be relaxed as part of a broader and more strategic approach to reform, one that continues to require a role for government in some areas of regulation.

I.3 Impacts on taxi numbers

In markets that have removed entry controls, entry has usually been much greater than anticipated at the time of the entry relaxation. In all jurisdictions where entry restrictions have been removed, the number of taxi vehicles increased, sometimes more than expected by the government of the day.

While an Irish report found that liberalisation of licences resulted in an 82 per cent increase in trips in Dublin between 1997 and 2008, this is based only on survey data from Dublin households rather than actual trip data. Other studies on jurisdictions that have deregulated are also lacking in reliable information in this respect.

Some studies have reported a decline in productivity or vehicle utilisation and have implied that consumer demand did not increase following deregulation. However, a drop in vehicle utilisation does not necessarily mean that consumer demand did not increase as a result of greater taxi availability. It may be that the increase in entry was such that it dampened any indications that demand increased: that is, the percentage increase in taxi numbers may have been more than the percentage increase in consumer demand – this will result in an observed decrease in productivity, at least in the short term. Indeed, increases in fares may have diminished some increases in consumer demand.

I.4 Pace of reform

Many governments acknowledge – or have learned from their experiences – that license liberalisation may not be achievable in the short- to medium-term (due to particular industry conditions, historic factors or political considerations) and/or may need to be accompanied by regulation focusing on service quality and safety. The various approaches adopted by Australian and international jurisdictions cover the spectrum of regulatory reform – with varying degrees of success.

A report commissioned by the inquiry notes that six OECD countries have removed quantitative entry restrictions from their taxi regulatory structures in the last two decades, while open entry conditions are also evident in the cities of other countries. In each case, the removal of entry restrictions has occurred through a single reform initiative, rather than through a process of staged reform.

For example, New Zealand and Ireland effectively deregulated entry across the entire country immediately and these jurisdictions saw an immediate increase in taxi numbers, accompanied by some service issues that were later addressed.

A staged approach to liberalisation is likely to be adopted by jurisdictions that want to minimize or distribute the losses experienced by taxi industry incumbents, while also allowing consideration of other pre-conditions of reform that are necessary for their particular jurisdictions.

It is often argued that a staged approach is more open to being stymied by any changes in the political environment and provides more opportunities for vested interests to lobby against enduring change; however, a staged approach to reform does allow continuing adjustments to price, quality and safety controls in response to any changes in the taxi and hire car environment.

Another aspect of deregulation is whether the government pays compensation to license holders if reform causes significant declines in licence values. In many jurisdictions, licenses are valuable investments.

I.5 Regulation of service quality

Jurisdictions examined by the inquiry have taken different approaches to liberalization by including in their approaches the introduction, maintenance or indeed strengthening of quality and safety regulations to encourage improvements in quality and safety standards.

In New Zealand, quality controls were imposed on standards for vehicles, driver competence and operator performance prior to liberalization. These controls were maintained following liberalization and strengthened several years into the reform. Today, new license holders are subject to a 'fit and proper person' test and are required to be affiliated with an ATO, with ATOs subject to a number of minimum quality standards. Taxi drivers are subject to background criminal and annual medical checks must pass a first aid course and must hold an 'area knowledge certificate' for the area in which they operate. Specialist taxi enforcement staff conduct regular checks on vehicle compliance with requirements.

In Sweden, despite liberalisation of entry and fares in 1990, quality controls were reinforced. Applicants were subject to more rigorous assessments in relation to competence in operating a taxi service, as well as their economic capacity and character. In 1995, stricter rules for drivers were introduced, with drivers subject to geographical knowledge tests and criminal checks. Sweden is considered to be one of the jurisdictions with the strictest requirements on taxi drivers

Indeed, quality regulations are critical to maintain higher quality services and avoid excessive entry (which lowers standards where competition is ineffective). For example, this has worked in London where, despite open entry, the barrier to entry via stringent quality controls on drivers (such as 'The Knowledge' test) and administrative delays still creates positive service outcomes. New Zealand's ATO model also ensures there are minimum quality standards in the taxi industry.

The same arguments apply to the need for safety regulations, particularly due to asymmetric information about the safety of the taxi vehicle, driver and/or passenger prior to the service being delivered. It has been argued that entry restrictions themselves do not ensure safety standards for taxis, and well-targeted safety regulations are more appropriate.

Different jurisdictions have maintained, reinforced and, in some cases, removed specific quality and safety controls. The inquiry considers that the level and effectiveness of these controls need to be well-considered and well-targeted.

J Performance measures

Taxi Key Performance Indicator Survey			
KPI #	Definition	Could be provided for future years (yes or no)	Comment (including data issues, limitations etc)
1 - Number of booking requests	Total number of all bookings received from passengers and inloads	Yes	
1.1 - Number off pick-ups of ranks	Total number of bookings initiated through pick-ups off ranks	No	Rank pickups and hails cannot be differentiated
1.2 - Number of hails	Total number of bookings initiated through hails	No	Rank pickups and hails cannot be differentiated
2 - Number of rejections	The total number of rejects for bookings received by the network	Yes	This is assumed to be where a job is sent to a driver and the driver refuses to do the job. The job is then sent to another driver.
3 - Number of jobs accepted by taxi drivers	Total number of jobs accepted by drivers	Yes	
4 - Average acceptance time (min)	Time period between when the booking is made available to when a taxi driver accepts the booking	Yes	
4.1 - Average acceptance time for bookings not involving off-loads	Average acceptance time for bookings not involving off-loads	Yes	Offloads to another network is a very minor occurrence in Hobart
4.2 - Average acceptance time for an internal off-load	Average acceptance time for an internal off-load	Yes	Same as 4.1 above?
5 - Number of M3s (No shows)	The number of booking requests in the month where the customer is not at the booking address when the taxi arrives	Yes	
6 - Taxi pick up time	The pick up time is the time from when the booking is required by the customer to the time the taxi turns its meter "on"	Yes	
6.1 - Pick up within 15 mins of booking being made	Percentage of total recorded "meter on" events where the pick up time was less than or equal to 15 minutes	Yes	
6.2 - Pick up within 30 mins of booking being made	Percentage of total recorded "meter on" events where the pick up time was less than or equal to 30 minutes	Yes	

Taxi Key Performance Indicator Survey			
6.3 - Pick up within 60 mins of booking being made	Percentage of total recorded "meter on" events where the pick up time was less than or equal to 60 minutes	Yes	
6.4 - Total taxi pick ups	Total taxi pick ups	Yes	Unclear if this includes rank work
6.5 - Average pick up time	The average of the pick up times in the month reported	Yes	Not sure if this the same as 6
6.5.1 - The average pick up time when no offload	The average of the pick up times in the month reported	No	Do not track offloads
6.5.2 - The average of the pick up times in the month when the booking fleet is offered to a fleet within the bureau	The average of the pick up times in the month when the booking fleet is offered to a fleet within the bureau	No	
7 - Number of ringbacks	The number of ring backs made by the customer inquiring about a taxi booking request	Maybe	Maybe a meaningless figure as some customers ring back if there cab does not arrive 2 minutes after they call.
8 - Number of taxis operating on the network	Total number of taxis authorised to operate on the network as at the last day of the calendar month	Yes	
9 - Telephone answering	The time elapsed between: a) The time the PABX registers a call on a line b) The time the PABX answers the call	Maybe	We do not currently have anything monitoring phone calls, but are in the process of putting software in place for this. This is because we are a new radio room, I would expect that the other networks would already have this in place.
9.1 - Number of phone calls received including abandoned calls	All telephone calls received in a month including abandoned calls	Yes	Not all calls are for a taxi
9.2 - Number of phone call answered within one minute (excluding abandoned calls)	Number of phone call answered within one minute	Yes	
9.3 - Number of phone call answered within 2 minutes (excluding abandoned calls)	Number of phone call answered within 2 minutes	Yes	
9.4 - Total average answering time	The average answering time of all calls answered	Yes	
9.5 - Abandoned telephone calls	Abandoned telephone calls	Yes	
10 - Average number of radio jobs completed per month per car	Average number of radio jobs completed per month per car	Yes	This is a calculation of questions 3 and 8
11.1 - Number of bookings offloaded per month	Number of bookings offloaded per month (both internal and external)	No	

Taxi Key Performance Indicator Survey			
11.2 - Number of bookings offloaded and returned as unable to be met per month	Number of bookings offloaded and returned as unable to be met per month	No	
11.3 - Number of bookings successfully offloaded per month	Number of bookings successfully offloaded per month	No	
12 - Number of No Cars Available (NCAs)	Total number of NCAs	No	
13.1 - Number of taxis signed on at 9 am	Number of taxis signed on at 9 am averaged over the month	No	This is a questionable figure. A lot of drivers do not log off at the end of their shift so the computer shows them as available when they are actually not.
13.2 - Number of taxis signed on at 9 pm	Number of taxis signed on at 9 pm averaged over the month	No	as above