

# 11 Taxi services

Taxi services have been heavily regulated for many years in Australia, as they have been in most other countries. The major regulatory question is the restriction on taxi licence numbers, which over the past two decades has reduced competition in the provision of taxi services and encouraged increases in the real value of licence plates. The regulation of licensing directly affects virtually the entire population, because almost everyone is at least an occasional user of taxi services.

## Legislative restrictions on competition

Historically, all States and Territories have taken similar approaches to regulation, comprising two distinct elements. First, all States and Territories have limited the number of taxis in the market, via strict licensing requirements that create absolute barriers to entry. (Fares have also been regulated as a corollary to the restrictions on entry.) Legislation generally provides for new licences to be issued only at the discretion of the regulator or a Minister. The outcome of this has been a long term decline in the number of taxis, relative to population, because lobbying has meant that new licences are rarely issued. The decline in taxi numbers has resulted in a steady increase in the real values of taxi licences in all States and Territories.

Second, governments have regulated standards, covering matters such as the age and roadworthiness of vehicles and the entry requirements for drivers. These regulations relate to the quality of the service provided and emphasise passenger safety. Such regulation does not have substantial impacts on competition.

Restricting the number of participants in a consumer service industry as the licensing arrangements do is an extremely unusual legislative measure for governments to take. Previous reviews of the taxi industry (for example, Industry Commission 1994) have found that restricting licence numbers imposes substantial costs on the community and that removal of restrictions would be expected to yield significant net benefits. Consequently, in assessing NCP progress the National Competition Council looked carefully at governments' public interest justifications for restrictions on licence numbers.

## Review and reform activity

All States and Territories are reviewing their regulation of taxis under the NCP. Notwithstanding the similar nature of regulation across jurisdictions, each State and Territory has conducted its own review. Governments' approaches to reviews have been different, with reviews having been conducted by consultants (Victoria, South Australia, the ACT and Western Australia), by representatives of government agencies (New South Wales, Queensland and the Northern Territory) and by a combination of the two in Tasmania. Reviews undertaken by government agencies have been either at arm's length from the agency responsible for taxi regulation or, where the regulator was included, other agencies were also involved. All reviews have provided for extensive stakeholder and public input.

All reviews found explicitly or implicitly that the current extent of restrictions imposes net costs on the community. Most (New South Wales, Victoria, Western Australia, the ACT and the Northern Territory) concluded that any absolute restrictions on entry to the taxi industry<sup>1</sup> impose net costs on the community. The remainder argued that the current extent of supply restrictions imposes net costs, without necessarily concluding that all restrictions should be removed. Most reviews acknowledged the high degree of substitutability between taxis and hire cars, with reform options taking account of the future of both sectors. Three (New South Wales, Tasmania and the ACT) recommended that further reviews be undertaken within specific time periods.

Table 11.1 summarises each State and Territory's review and reform activity. Where a review canvassed more than one approach to reform, that noted in the table is the one that the review identified as the preferred option. In sum, four reviews recommended the removal of supply restrictions with full compensation to licence-holders via a licence 'buy-back', two reviews recommended changes that would reduce the extent of supply restrictions and two reviews recommended, in effect, maintaining the status quo.<sup>2</sup>

At the time of this assessment, only the Northern Territory had implemented substantial regulatory reform. The Territory Government removed restrictions on licence numbers in January 1999. It implemented this through a buy-back of existing taxi licences at full market prices<sup>3</sup> funded via annual

---

<sup>1</sup> That is, limitations on total numbers, imposed for reasons other than ensuring that service providers meet quality standards.

<sup>2</sup> The Tasmanian review sought to alter the means of regulating licence issue, but the implementation of this recommendation would appear to yield results little different from the status quo.

<sup>3</sup> Buy-back prices were determined by taking the price of the last licence sale in a given taxi area and adjusting this amount by the Consumer Price Index.

taxi licence fees, ranging from \$4500 to \$16 000 depending on the taxi area.<sup>4</sup> The Territory removed its minimum network size requirement in July 1999 and is currently considering the future of maximum fare regulation. The other governments have either implemented limited changes to licensing arrangements (generally stated to be part of a transitional approach to increasing the number of taxi licences) or are still formulating their policy responses.

---

<sup>4</sup> Fees for Wheelchair Accessible Taxi licences are 50 per cent of those applicable to general taxi licences.

**Table 11.1:** Review and reform of legislation regulating taxis

<i>Jurisdiction</i>	<i>Legislation</i>	<i>Key restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>	<i>Assessment</i>
New South Wales	<i>Passenger Transport Act 1990</i>	Limitation on numbers of taxi and hire car licences.	Review completed in November 1999. Recommended: <ul style="list-style-type: none"> <li>• annual increase (5per cent) in licences (limited term, non-transferrable) during 2000–2005;</li> <li>• deregulation of hire cars to increase competition;</li> <li>• further review in 2003;</li> <li>• continuing fare regulation.</li> </ul>	60 new restricted licences and 120 new wheelchair access taxi licences issued.  Performance reviews established.	Council to assess progress in 2002.
Victoria	<i>Transport Act 1983</i>	Limitation on numbers of taxi and hire car licences.	Review completed July 1999. Recommended: <ul style="list-style-type: none"> <li>• removal of entry restrictions for taxis and hire cars;</li> <li>• buy-back of existing licences, to be funded by annual fees on operators;</li> <li>• continuing fare regulation pending development of a competitive market;</li> <li>• improvement in the quality of fare regulation via transfer of responsibility to an independent economic regulator.</li> </ul>	Awaiting Government response.	Council to assess progress in 2002.
Queensland	<i>Transport Operations (Passenger Transport) Act 1994</i>	Limitation on numbers of taxi and hire car licences.	Report released publicly in September 2000. Recommended: <ul style="list-style-type: none"> <li>• revamping of regulatory structure around performance agreements with booking companies;</li> <li>• allowing booking companies a measure of control over licence numbers.</li> </ul>	Awaiting Government response.	Council to assess progress in 2002.

*(continued)*

Table 11.1 continued

<i>Jurisdiction</i>	<i>Legislation</i>	<i>Key restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>	<i>Assessment</i>
Western Australia	<i>Taxi Act 1994</i>	Limitation on numbers of taxi licences.	Review completed August 1999. Recommended: <ul style="list-style-type: none"> <li>• removal of licence supply restrictions;</li> <li>• use of substantial training requirements to regulate entry;</li> <li>• similar requirements for hire car industry;</li> <li>• full compensation to existing plate owners;</li> <li>• issue of new licences at a maximum rate of 20 per cent per year on a 'first come, first served' basis.</li> </ul>	Tenders called for release of limited number of restricted licences (peak period and multi-purpose).  Ministerial advisory committee to be established to determine a feasible model for licence buy-backs.	Council to assess progress in 2002.
South Australia	<i>Passenger Transport Act 1994</i>	Limitation on numbers of taxi licences.	Report completed November 1999. Recommended: <ul style="list-style-type: none"> <li>• retention of existing restrictions (the Act limits the Passenger Transport Board to not issuing more than 50 general taxi licences in a particular year, although none has been issued);</li> <li>• reliance on competition from hire cars, with removal of some current restrictions.</li> </ul>	Awaiting Government response.	Council to assess progress in 2002.
Tasmania	<i>Taxi Industry Act 1995</i>	Limitation on numbers of taxi and hire car licences.	Report completed April 2000. Recommended: <ul style="list-style-type: none"> <li>• annual issue of new licences up to 5 per cent by tender, subject to reserve price, or 10 per cent if tender price exceeds valuations by 10 per cent;</li> <li>• retention of maximum fare for rank/hail market only;</li> <li>• free entry to hire car industry subject to \$5000 licence fee.</li> </ul>	Awaiting Government response.	Council to assess progress in 2002.

*(continued)*

Table 11.1 continued

<i>Jurisdiction</i>	<i>Legislation</i>	<i>Key restrictions</i>	<i>Review activity</i>	<i>Reform activity</i>	<i>Assessment</i>
ACT	<i>Motor Traffic Act 1936</i>	Limitation on numbers of taxi and hire car licences.	Review completed March 2000. On licence quotas, recommended: <ul style="list-style-type: none"> <li>• immediate removal of restrictions on supply of taxi and hire car licences;</li> <li>• full compensation to licence holders via a licence 'buy-back', with compensation to be funded via consolidated revenue or a long-term licence fee regime.</li> </ul>	Release of 10 additional wheelchair accessible taxi licences. Restriction on the number of licences that can be owned by an individual to be removed. Agreement with New South Wales to a cross-border trial, which will see 16 New South Wales taxis able to operate in the ACT. Preferred provider of a second dispatch service selected. Network and operator accreditation to be introduced. Further review of licence quota restrictions by June 2002.	Council to assess progress in 2002.
Northern Territory	<i>Commercial Passenger (Road) Transport Act</i>	Limitation on numbers of taxi and hire car licences.	Review completed in 1998. Recommended: <ul style="list-style-type: none"> <li>• elimination of restrictions on licence numbers;</li> <li>• compensation for the full market value of licences via a licence 'buy-back';</li> <li>• substantial licence fees to recoup compensation costs.</li> </ul>	Main review recommendations fully implemented. Maximum fare restrictions under review.	Meets NCP obligations (June 2001).