



# **REPORT ON REVIEW OF THE TAXI INDUSTRY REGULATORY STRUCTURE IN THE PERTH METROPOLITAN AREA**

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## **1 RECOMMENDATIONS**

- **Recommendation 1: That the State Government not proceed with de-regulating the metropolitan taxi industry and that the total number of taxi licences (plates) made available in the market should remain capped.**
- **Recommendation 2: That the State Government not proceed with a compulsory buyback of taxi plates.**
- **Recommendation 3: That the State Government institute a private-sector funded voluntary buyback of taxi plates. Taxi plate owners should be provided with the option of their taxi plates being bought back at market price, as defined by the average price paid in 2002. To address concerns of fairness and equity, plate owners who paid more for their plates should receive the purchase price paid.**
- **Recommendation 4: That current taxi plate owners should be able to retain their taxi plate and get the best possible price in the market place when and if they choose to sell their plate.**
- **Recommendation 5: That non-transferable taxi licences (plates) should be made available for a licence fee from the State Government. The licence fee should be significantly less than the lease rates currently paid by drivers and increased annually based on movements in the Private Motoring Index.**
- **Recommendation 6: That shift lease rates should continue to be regulated and the rate be reduced in line with the reduction in the plate licence fees.**
- **Recommendation 7: That taxi fares should be maintained at current levels for one further year (2003/04) and then increased annually based on the movement in the Private Motoring Index.**
- **Recommendation 8: That the State Government increase the size of the taxi fleet as soon as possible by issuing licences for the following categories of taxis:**
  - **Conventional Taxis            28**
  - **Multi-Purpose Taxis            4**
  - **Peak Period Restricted Taxis   12**
  - **Area Restricted Taxis           6**
- **Recommendation 9: That further annual releases of taxi licences be undertaken on the basis of industry viability and performance indicators.**
- **Recommendation 10: That the area of operation of area restricted taxis be modified to encourage higher levels of customer service and industry viability in outer suburban areas.**

## 2 EXECUTIVE SUMMARY

In January 2003, the Minister for Planning and Infrastructure commissioned a review of the structure and regulation of the Perth metropolitan taxi industry.

### • **Purpose of the Review**

The purpose of the review is to make recommendations to the State Government on modifying the structure and regulation of the taxi industry to achieve two objectives:

1. provide fair returns to drivers and owner-drivers while offering the public an efficient, economical and safe service; and
2. address the requirements of the National Competition Council.

### • **Existing Regulatory Structure**

Under the existing regulatory structure, the State Government limits the number of taxi plates in the market. As a result of the limit on taxi plates in the market place, they have acquired a scarcity value which imposes significant additional costs on the industry. The market price for a conventional taxi plate is \$191 985, being the average price of the plates traded in 2002.

The average weekly lease rate for a taxi plate is \$345. Each conventional taxi plate generates an average lease return of approximately \$18,000 a year to the plate owner and there are approximately 1000 full-time plates in the industry. The total cost of limiting the number of plates in the industry is, therefore, approximately \$18 million per annum, representing approximately 20 per cent of industry costs. This cost is borne by drivers through lower net revenues and by customers through higher fares.

There is a scarcity value in taxi plates. Compounding this, there has been significant political pressure not to release additional taxi plates. No additional Conventional Taxi plates have been issued for more than 14 years.

### • **Process of the Review**

There are three major components to this review:

- Industry Forum – 26 February 2003
- Industry Survey – 2-16 May 2003
- Report to Government – June 2003

### • **Consultation with Industry and Consumers**

Extensive consultation with industry and consumers has been central to understanding how the objectives of the review can best be achieved.

The process of consultation commenced with an industry forum with approximately 100 people in attendance. The forum ensured that all issues relevant to the objectives of the review were identified.

A postal survey was then developed and distributed to all members of the industry and consumer representative groups.

The overall response rate to the survey was 33 per cent across the industry, a very good response rate for postal surveys in general.

- **Future Regulatory Options**

Industry response to the survey provided some clear directions for the future regulatory structure of the industry. The vast majority of survey respondents (70%) indicated that they were opposed to de-regulation and therefore wanted to retain a cap on plates.

Central to determining future regulatory options in the industry is identifying the level of support within the industry for a buyback of taxi plates. In general terms, the level of support for buyback is evenly divided across the industry, as noted below.

**Table 1 - Industry support for a buyback of taxi plates**

|                           | <b>Rating (%)</b> |
|---------------------------|-------------------|
| No buyback of taxi plates | 52                |
| Buyback of taxi plates    | 48                |
| Total                     | 100.0             |

There are significant differences in the support for a buyback between taxi plate owners and taxi drivers, particularly plate lease drivers. The taxi plate owners are strongly opposed to a buyback (68 per cent), plate lease drivers strongly support a buyback (63 per cent) and shift lease drivers marginally support a buyback (51 per cent).

- **Fair Buyback Price**

In the case of Conventional Taxi plates, the average amounts nominated in the survey were broadly consistent with the current market value for such plates. In general terms, drivers nominated prices that were lower than the market average, whereas owners nominated prices above the market average.

- **Customer Service – Consumer Views**

Consumer representatives identified an increase in the number of taxis during peak periods and the number of Multi-Purpose Taxis as the main improvements needed in service levels. Consumers did not support increases in fares, even for improved service.

- **Driver Costs**

There is significant support for the reduction in costs faced by drivers. In particular, drivers expressed strong support for a reduction in lease rates.

- **Taking up a Licence after Buyback**

There was significant support from drivers for taking up a licence after buyback. If the level of support for taking up a licence identified in the survey was translated into actual take up of licences, it could be expected that the demand for licences would be oversubscribed.

- **Putting Additional Taxis on the Road**

The survey results highlighted the conflicts that are known to exist between the interests of the consumer and the interests of the taxi industry. Consumers clearly believe that their interests are best served by increasing the supply of taxis, whereas the industry does not want additional taxis.

## **Future Regulatory Structure of the Taxi Industry**

Taking account of the objectives of the review and the survey results, a future regulatory structure for the industry has been identified, based on the following principles:

- voluntary buyback of taxi plates;
- reduced licence fees;
- minimising fare increases; and
- increased number of taxis.

It is important to note that the buyback of taxi plates is the mechanism by which most of the other recommendations become most effective. Whilst Government could reduce lease rates, increase the number of taxis on the road (through the proposed taxi licences) and dampen growth in fares, they are all more difficult without buyback.

For example, reducing regulated lease rates is likely to have a negative impact on plate prices without compensation (through buyback). Similarly, maintenance of fares for one further year could also be seen as unfair without the reduction in licence fees for drivers.

Each of the principles above is addressed in turn:

- **Voluntary Buyback of Taxi Plates**

The survey results identified a significant percentage of the industry who do not want buyback (52%), however, there were also a significant percentage who favoured buyback (48%).

A voluntary buyback would provide for those who want buyback, while not imposing the requirement on those who do not want it.

Plate owners should have the option of private sector funded buyback of their taxi plate at market price. They should also have the option of retaining their plates, and if they wish, selling their plates on the open market. Voluntary buyback would provide for both these options.

It is proposed that under a voluntary buyback plate owners would have the option of having their plate purchased at the average price paid over the 12 months of 2002. This period

preceded the State Government's announcement that a review of the industry was commencing.

The prices offered for the various classes of plates are noted below:

|                                     |           |
|-------------------------------------|-----------|
| • Conventional Taxis (924)          | \$192,000 |
| • Multi-Purpose Taxis (56)          | \$99,000  |
| • Peak Period Restricted Taxis (70) | \$31,000  |
| • Non Transferable Taxis (57)       | \$0       |
| • Area Restricted Taxis (8)         | \$99,000  |

There were no area restricted taxis traded in 2002 so the average price for an MPT has been used.

To address concerns of fairness and equity, plate owners who paid more for their plates should receive the purchase price paid.

The buyback offer should be available for a period of three years, although the price offered should encourage an early take up of the buyback offer.

- **Reduced Lease Rates**

Without increases in demand or raising fares, driver income can only be improved by reducing costs.

Non-transferable taxi licences should be made available for a licence fee from the Government. The licence fee should be significantly less than the lease rates currently paid by drivers. Licence fees should increase annually consistent with the transportation cost index produced by the Australian Bureau of Statistics called the Private Motoring Index.

Shift lease rates should continue to be regulated and be reduced in line with the reduction in the plate licence fees described above.

Special financial incentives should be given to owner drivers as part of the new industry structure to retain owner drivers in the industry.

Government should make available licences after buyback in the following preferential order:

- current owner-drivers (one per person);
- current plate lease drivers (one per person);
- current shift lease drivers (one per person); and
- taxi management companies and taxi dispatch services (unlimited).

In the event of an over-subscription, a ballot should be used to award the licences. Licences should be issued for a period of three years, after which the licence holder driver should have first right of refusal for the licence.



- **Fares**

Taxi fares should be maintained at current levels for one further year (2003/04) and then increased annually based on the movement in the Private Motoring Index.

- **Additional Taxis to meet Consumer Demand**

The number of taxi licences available after buyback should remain capped by the State Government.

Plate types should continue to include Conventional Taxis, Multi-Purpose Taxis (MPTs), Peak Period Restricted Taxis, and Area Restricted Taxis.

Operating zones for Area Restricted Taxis should be redefined based on four outer suburban “corridors” (North, North-East, South and South-East) to improve customer service and increase viability in the outer suburban areas.

An initial number of additional licences, above the current number on issue, should be released as soon as possible, as nominated below:



There should be an ongoing annual release of conventional taxi licences based on jobs growth per taxi. There should be a release of conventional taxi licences that is equivalent to 1 per cent of the size of the conventional taxi fleet except where there has been a decline or increase in jobs per taxi that is greater than 1%. Where growth is greater than 1% then a higher number of additional plates should be released, in line with growth in demand. Where demand declines then this should result in a lesser release of plates. Where the decline in demand is 2% or greater then no additional plates should be made available. A similar approach, where possible, should be taken for the other plate types but particular consideration for these plate types needs to be given to jobs not covered and waiting time.

### **Implementation of a Voluntary Buyback**

Implementation of a taxi plate buyback will require modifications to the *Taxi Act 1994*.

The financing of the buyback of taxi plates should be undertaken through the private sector. The advantage of this approach is that the State Government does not have to commit itself to additional debt in order to fund the buyback. . In addition, the risk associated with raising the debt will be borne by the private sector.

### 3 INTRODUCTION

In January 2003, the Minister for Planning and Infrastructure commissioned a review of the structure and regulation of the Perth metropolitan taxi industry. The review was to address the State Government's concern that "costs have escalated, particularly with respect to the taxi plate and licence fees, while demand has diminished due to partial de-regulation. As a result, the returns to drivers are often below acceptable standards, rendering taxi driving as a job of last resort."<sup>1</sup>

The purpose of the review is to make recommendations to the State Government on modifying the structure and regulation of the taxi industry to achieve two objectives:

- provide fair returns to drivers and owner-drivers while offering the public an efficient, economical and safe service; and
- address the requirements of the National Competition Council (NCC).

#### 3.1 Government Policy

The Western Australian Government has committed to "work with the taxi industry to:

- determine how best to restructure the industry to provide fair returns to drivers and owner-drivers while offering the public an efficient, economical and safe service; and
- ensure taxi response times meet reasonable consumer demand."<sup>2</sup>

This review examines the structure of the industry and its impact on driver returns, and identifies policy approaches for improving the returns to the drivers and customer service.

Low returns for drivers can make taxi driving an unattractive job. An industry that attracts quality applicants can in turn provide a quality service to its customers.

The State Government has already acted to address the partial deregulation of the industry which resulted through the small charter vehicles (SCVs) operating, to some degree, in the taxi market. The State Government has put in place controls to ensure that substantially different cost structures and operational standards exist between taxis and SCVs, which operate in a different market to taxis.

#### 3.2 National Competition Policy

Under the National Competition Policy (NCP), all States and Territories are required to submit a report to the NCC by 30 June 2003. Where the State or Territory does not meet its NCP obligations it puts related Commonwealth payments at risk. The NCC assess the extent to which the State or Territory meets these responsibilities and can then make recommendations to the Commonwealth Government to suspend payments to the States and Territories.

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<sup>1</sup> [www.wa.alp.org.au/policy/platform/index.html](http://www.wa.alp.org.au/policy/platform/index.html)

<sup>2</sup> [www.wa.alp.org.au/policy/platform/index.html](http://www.wa.alp.org.au/policy/platform/index.html)

The NCC identified taxi and hire car regulation as a significant component of the legislation review and reform program. As part of the 2002 assessment, the NCC noted that governments appeared to favour a gradual approach to reform due to the costs associated with the immediate removal of restrictions on licence numbers.

The NCC has established four principles that will be considered in determining whether the States and Territories meet its NCP obligations by the time of the 2003 assessment. In brief, they are as follows<sup>3</sup>:

- **Release of new licences:**

There should be regular (at least annual) releases of new licences with sufficient new licences being released to improve the relative supply of taxis and the first release of new licences occurring before 30 June 2003.

The NCC states that the release of new licences should be stable and predictable, eg being based on a set formula rather than being subject to the exercise of discretion. It is important to note that Western Australia will not be in a position to release new licences prior to 30 June 2003.

- **Reform monitoring and review:**

There should be a commitment to the independent monitoring and review of reform outcomes on a regular basis, and to additional action if the demand/supply imbalance is not improving.

The NCC has stated that the rising licence values indicate there is increasing demand for taxi licences relative to supply, which is being converted into higher plate values because there are insufficient licences available. The NCC has indicated that it regards taxi licence values as the main indicator of supply/demand imbalance and, therefore, reform must address this issue. In addition, further reform should be triggered automatically. For example, there might be a release of additional taxi licences if certain previously specified benchmarks are not met.

- **Reform of Other Chauffeured Passenger Transport:**

There should be immediate reform of the regulation of the other providers of chauffeured passenger transport (eg hire cars, mini-buses) to increase competition.

In other States of Australia, the value of hire car licences approximates the value of taxi licences. This is because the hire car market in other States also has limited entry arrangements. In Western Australia, SCVs are equivalent to the hire car market. There are no restrictions on the number of SCV licences. As a result of Western Australia's open-entry SCV market, it is not expected that the NCC will have specific concerns regarding the regulatory approach in this area.

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<sup>3</sup> Detail on the NCC's principles is provided in Appendix 1.

- **Commitment to staged release of licences:**

There must be a strong commitment that the program of staged licence releases will proceed.

The NCC stated in the 2002 assessment that “strategies to ‘lock in’ reform are...important to ensure the credibility of multi-stage programs. Such strategies include announcing at the outset the longer term reform program, making transparent the underlying objectives of the program, setting clear, verifiable performance indicators, and providing scope for monitoring the effectiveness of changes and further development of the program where necessary”.<sup>4</sup>

### **3.3 National Competition Policy Reviews in Other States**

The regulation of taxis in other States and Territories is similar to that in Western Australia, with the exception of South Australia and the Northern Territory. In all other States, including Western Australia, the Government limits the number of vehicles that can operate within the taxi market. Only vehicles that are licensed as a taxi in these markets can operate in the taxi market.

In the Northern Territory, there are no restrictions on the number of taxis. There is a fixed annual licence fee of \$16,000 (in Darwin) and as many taxis as are demanded by the market are operated in the Northern Territory. In South Australia there is deregulation of the taxi booking market – that is, hire cars can operate in the booking market in direct competition to taxis.

In summary, there appears to have been substantial movement towards NCC aims in a number of States. Victoria, ACT and Northern Territory have all signed off reforms which increase the number of taxis. Tasmania is proposing reforms which include increasing taxi numbers.

Of the remaining States, New South Wales is likely to be approaching the NCC on the basis of hire car industry reforms and previous taxi reforms. Queensland’s submission is likely to be based on the reforms from their 2000 review, and South Australia is likely to remain with its current licensing system although is still to provide a formal response.<sup>5</sup>

### **3.4 Review Process**

There are three major components to this review:

- Industry Forum – 26 February 2003
- Industry Survey – 2-16 May 2003
- Reporting to Government – June 2003

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<sup>4</sup> Detail on the NCC’s principles is provided in Appendix 1.

<sup>5</sup> Details on the other States’ approaches can be found in Appendix 2.

This review concerns only taxis in the Perth metropolitan area and it does not examine driver standards and vehicle standards.

This document outlines the history of taxi industry regulation in Perth and the current regulatory structure. It then identifies, in broad terms, a proposed new structure of the taxi industry, consistent with the objectives of the review and the industry and consumer survey results.

## 4 OVERVIEW OF THE METROPOLITAN TAXI INDUSTRY

### 4.1 Taxi Industry Regulation

#### 4.1.1 History of Regulation

A limitation on the number of taxi industry plates was first introduced in 1958, when plates were limited to one for every 600 people in Perth, in response to concerns that plates were being issued indiscriminately. The first taxi industry specific legislation was introduced in 1963, with the passage of the *Taxi Cars (Co-ordination and Control) Act*.

Since then, there have been several major reviews of the taxi industry:

- 1972 – Smith Report: The report made a total of 21 recommendations, mostly relating to greater powers of a taxi board, to control the quality of drivers and provide a more formal framework for the industry generally.
- 1980 – Carly Report: The report noted that the taxi industry was in decline due to rising costs in a static marketplace. A number of recommendations to combat this trend were made, the most far reaching being the creation of a new “Transit Body”, joining buses, taxis, police, local governments and various other organisations. This recommendation was not implemented.
- 1992 – BDO Consultants’ review: The report concluded that the industry was in decline and recommended that the Government take over the regulation of the industry from the Taxi Control Board. This recommendation was implemented and since 1995, the industry has operated under the *Taxi Act 1994*.
- 1999 – BSD Consultants’ National Competition Policy review: The review recommended that the number of plates available in the market should not be limited (deregulation) and plates should be bought back. The Government did not implement the review’s recommendations.

#### 4.1.2 Objectives of Regulation

There are four key objectives for the regulation of the metropolitan taxi industry:

- A vehicle standard that meets the needs of the consumer.
- A driver customer service standard that meets the needs of the consumer.
- Taxi waiting times that meet the needs of the consumer.
- A fare that is acceptable to the consumer.

#### 4.1.3 Regulatory Structure

The metropolitan taxi industry is regulated through the *Taxi Act 1994*. The Department for Planning and Infrastructure (DPI) regulates the industry in the following major areas:

- **The number of taxis:** There are a fixed number of licences in the metropolitan taxi industry. If the State Government determines that there are insufficient taxis to cover demand, additional licences may be issued through a tender process.
- **Fare schedules:** A maximum fare is set by the State Government. Fares comprise a flagfall, a kilometre rate and a detention charge. The detention charge applies when the taxi is not moving or is moving at a slow speed. Fares vary according to the time of day that the taxi is hired.

The metered fares charged by Perth's two main taxi dispatch services (TDS) are the same. However, there is some competitive pricing in contract fares. Fare schedules are reviewed each year on the basis of movements in the Australia Bureau of Statistics' Private Motoring Index.

The most recent increase in fares was 8.42 per cent, granted in November 2000. This followed a 7.4 per cent increase granted in July 2000, in expectation of the impact of the Goods and Services Tax.

- **Driver and vehicle standards:** The standards currently required of drivers and vehicles include the following:
  - Training requirements for all new taxi drivers include an aptitude test, a course in professional taxi operations and a registration test.
  - Identification cards are compulsory and must be displayed in the taxi.
  - The maximum age for Conventional Taxis is 8 years, and the maximum for Peak Period Restricted Taxis, Multi-Purpose Taxis and Area Restricted Taxis is 10 years.
  - All taxis are required to have surveillance cameras fitted and operational.
  - Annual roadworthiness inspections are mandatory.

DPI, through on-road compliance officers, monitors the standards of vehicles and drivers. Where the standards are not met, the inspectors have the authority to issue caution notices or infringement notices, or prosecute taxi drivers.

#### **4.1.4 Financial Impacts of Existing Industry Structure**

Restricting the number of taxis in the Perth metropolitan area has had some important financial impacts on the industry and particularly drivers.

The 1999 independent NCP review of the *Taxi Act 1994* identified the following:

"The most noticeable consequence of the restriction on plate numbers is the development of a secondary market for plates. A secondary market implies that plates can be bought and sold by people who have no direct involvement in the industry. Many plates are bought for investment or superannuation purposes in the hope that they will appreciate in value.

"This resulted in plates obtaining a 'scarcity value' and ultimately trading for very high prices. This puts ownership of the business (plates) out of the reach of most drivers and effectively

transfers the social surplus from the consumer to the taxi plate owner, bypassing the driver. This situation relegates most drivers to minor roles in the industry with little hope of eventually becoming plate owners. Ultimately this substantially impacts on the income for the driver (see discussion below).

“Anecdotal evidence suggests that the operational costs of a vehicle (depreciation, maintenance, fuel, rank fees, insurance etc) are approximately \$30,000 per annum. With an annual industry income of approximately \$80 million divided between 1,047 taxis, the gross income per taxi is approximately \$75,000 and the income net of operational costs is \$45,000. Of this, approximately \$20,000, or 43% accrues to the plate owner for the use of a plate in situations where plates are leased.

**“Fundamentally a plate is only a licence (or permit) which indicates permission from an official agency for someone to undertake a certain activity within a specific time period. The licence is only proof that the necessary conditions have been met and fees paid and should have little intrinsic value of its own.”<sup>6</sup> (my emphasis)**

Central to these issues is the cost imposed on industry and consumers by the existing regulatory structure. Because the Government has limited the number of plates in the market place, each plate currently generates an average lease return of approximately \$18,000 a year in returns to the plate owner, and a corresponding cost to drivers and customers. On this basis, the total cost of restricting entry to the industry is over \$18 million dollars per annum. This cost is borne by drivers through lower incomes, and by customers through higher fares.

## 4.2 Types and Number of Taxis

There are 1,114 taxis in the Perth metropolitan area. The types and corresponding numbers of taxis are listed in Table 2.

**Table 2 - Taxi plate types and numbers as at May 2003**

| <b>Taxi Plate Type</b>              | <b>Number of Taxi Plates Issued</b> |
|-------------------------------------|-------------------------------------|
| Conventional Taxi                   | 924                                 |
| Multi-Purpose Taxi (MPTs)           | 81                                  |
| Peak Period Restricted Taxi (PPRTs) | 101                                 |
| Area Restricted Taxi                | 8                                   |
| <b>Total</b>                        | <b>1,114</b>                        |

MPTs must be able to carry at least two wheelchairs. When not carrying people in wheelchairs, MPTs can generally carry up to 11 passengers. (The Government provides subsidies to people with severe disabilities who are unable to use public transport.)

PPRTs were introduced in 1995 to better meet peak demands, which occur over the weekend period. PPRTs operate between:

<sup>6</sup> [Review of the Western Australian Taxi industry, BSD Consultants, 1999.](#)



- 5.00pm on Friday and 6.00am on the following Saturday
- 5.00pm on Saturday and 6.00am on the following Sunday

PPRTs must be able to carry at least six adult passengers and are therefore better able to cater for people travelling in groups.

To improve taxi services in outer suburbs, a number of taxis are licensed solely to operate in these areas. These are known as Area Restricted Taxis.

The existing regulatory structure does not facilitate the issuing of additional taxi plates in a timely manner. This has been exacerbated by industry pressure on the State Government not to release additional taxi plates. **No additional Conventional Taxi plates have been issued in the industry for more than 14 years.**

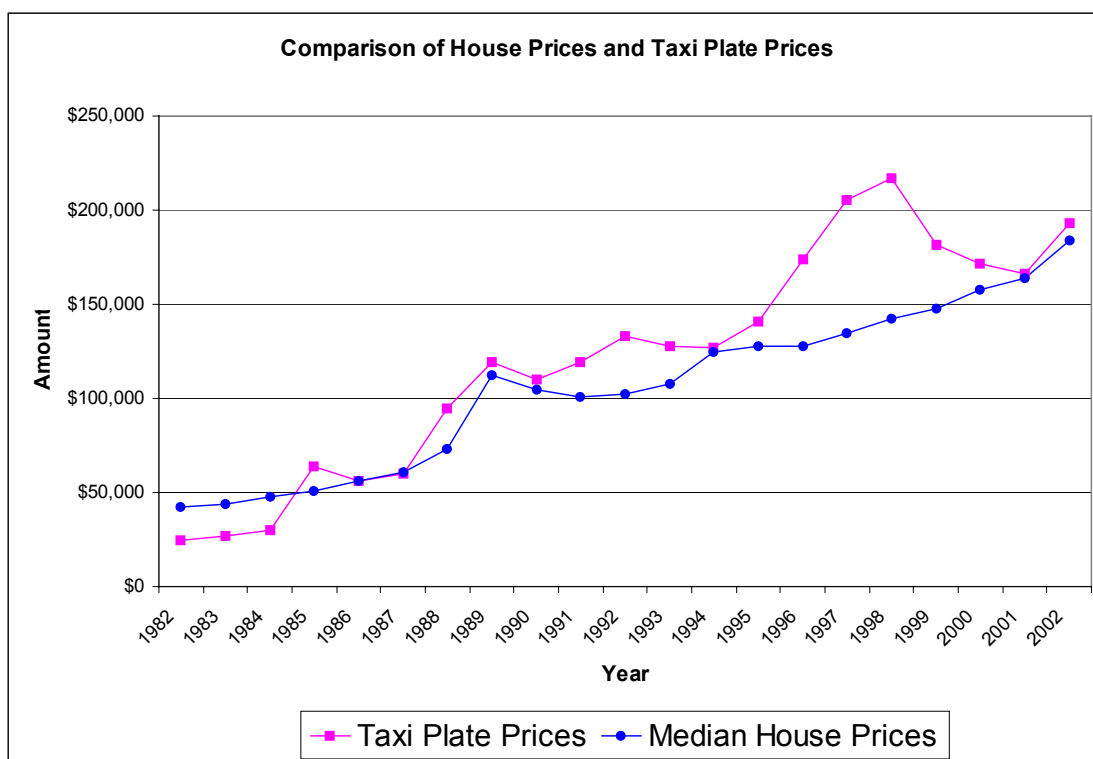
### 4.3 Taxi Plate Owners

The most valuable item in the taxi industry is the plate, which gives the holder or their agent the right to trade as a taxi. The 1,114 plates are owned by 926 distinct owners (including corporate, trusts etc) and of these, 53.9 per cent (499 persons) are licensed as a driver.

Conventional Taxi plates can be freely bought and sold subject to approval by DPI and payment of a 2.5 per cent transfer fee. The average 2002 market value was \$191,985.

Taxi owners have received good capital returns over the long term as demonstrated by Figure 1 below. Plates purchased in 1982 at \$25,000 have increased eightfold in value over the last 20 years. Also, the graph shows that the value of the median house price and the value of taxi plates have moved almost in tandem over the last 20 years. It is important to note, however, that in recent times there have been a number of significant impacts on taxi plate prices.

**Figure 1 - Comparison of House Prices and Taxi Plate Prices 1982 to 2002**



The average price of taxi plates in 1995 was \$141,095. The price of taxi plates escalated from 1995 to 1999, reaching a high of \$240,000 for Conventional Taxi plates. The sharp rise in plate value can be partly attributed to reductions in the restrictions imposed by legislation on the type of person who could own taxi plates<sup>7</sup>.

During 1999, a National Competition Policy review was undertaken, creating uncertainty in the industry. This had a dramatic impact on the industry's confidence and, subsequently, on the plate price. (Since 2000, however, a degree of stability has returned to the industry and the price of plates has partially recovered). If there is no change to the structure of the taxi industry, taxi plates can be expected to out-perform house prices in the short term and into the future.

DPI regulates the maximum lease rates that can be charged for taxi plates.<sup>8</sup> While most shift lease rates in the industry are at the maximum level, the market rate for plate leases is significantly below the regulated maximum rate, as shown in Table 3 below. This information was identified through the consumer survey.

**Table 3 - Taxi plate lease rates, May 2003**

|                               | Regulated Lease Rate | Market Lease Rate |
|-------------------------------|----------------------|-------------------|
| Friday / Saturday night shift | \$94.00              | \$93.20           |
| All other shifts              | \$67.50              | \$67.53           |
| Taxi plate lease              | \$453.00             | \$345.00          |

#### 4.4 Taxi Management Companies

Taxi management companies (TMCs) often provide the relationship between the lease drivers and plate owners. Approximately 54.5% of owners (individuals, partnerships or companies) do not participate in the taxi industry as a driver. It is not possible to identify the exact proportion of these owners who use the services of a TMC to lease their taxi plate but it is generally understood that it is a significant proportion, particularly the investor owners. The remaining 45.5% of owners are identified as owner-drivers who either lease their plates directly to drivers (i.e. are not currently driving a taxi) or drive themselves and lease their taxi to another driver. The survey identified that 79% of owner-drivers lease their taxi to another driver for some part of the week.

#### 4.5 Taxi Dispatch Services

Taxi dispatch services (TDSs) take telephone bookings and dispatch taxis to jobs. In a geographically disparate city such as Perth, TDSs form an important part of the industry due

<sup>7</sup> In 1995, a *Taxi Act 1994* was introduced, replacing the *Taxi Cars (Co-ordination and Control) Act 1963*. Under the previous Act, taxi plates could only be held in the name of a natural person and that person had to have an active interest in the industry. Under the new Act, this requirement was relaxed, resulting in a greater demand for taxi plates and therefore higher prices.

<sup>8</sup> The taxi plate leasing options available to taxi plate owners are detailed in appendix 3.

to the high number of phone bookings. In Perth, approximately 65 per cent of jobs are dispatched through a TDS.

TDSs charge plate owners a set rank fee per week for their services. Jobs are dispatched to drivers through a communications network.

There are two main TDSs in Perth; Swan Taxis, and Black and White Taxis. Both companies use computer dispatch technology.

The remaining small TDSs, including Independent Taxis, Carlisle Cabs, Rockingham Taxis and Rainbow Taxis all use radio dispatch.

#### **4.6 Taxi Drivers**

Taxi drivers are a very important part of the industry as they provide the direct interface with passengers.

There are approximately 3000 licensed taxi drivers in Perth, both full and part time. Less than 20 per cent of drivers own the plates on their taxis; the remainder are lease drivers. Assuming a 40-hour week, taxi drivers earn considerably less than the average wage, currently \$962.60pw for an adult male in full-time employment<sup>9</sup>. In addition, as individual contractors, drivers do not get benefits such as sick leave, annual leave or superannuation.

Lease drivers and many owner-drivers face high costs, due largely to high plate values. Plate lease drivers pay an average of \$345 per week in plate lease fees. It is their responsibility to provide a taxi vehicle for the leased plate. Shift lease drivers incur shift lease fees of approximately \$67.50 per weekday shift and \$94 per weekend night shift to lease both a plate and a vehicle. Both plate lease and shift lease drivers must meet the cost of petrol.

There is no revenue sharing between the taxi owner and the taxi driver. The driver bears all the impact of any low returns – eg from a low number of fares collected during a poor shift – as well as receiving all of any good returns from a shift with an above-average number of fares.

Overall, industry income has been adversely affected by recent national and international events – including the Ansett collapse and worldwide terrorist activities. However, while drivers' revenues have fallen, their costs, particularly lease rates that are payable to the owners, have decreased by a lesser amount.

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<sup>9</sup> ABS publication 6302.0 Average Weekly Earnings - February 2003, Ordinary Time earnings for a full-time adult male in WA

## **4.7 Summary of Industry Performance and Public Perceptions of the Industry**

DPI undertakes regular assessments of the level of service provided by the taxi industry.

In general terms, the taxi industry provides a high level of service to the community. In the customer survey undertaken by DPI in September of last year, 88 per cent of persons indicated that they were either satisfied or very satisfied with the service they were receiving.

This represents a good result for the taxi industry. In comparison, the performances of the public transport train and bus systems were 92 per cent and 84 per cent respectively through the Transperth satisfaction monitor survey (March 2003).

The area of most concern to customers relates to the issue of booked taxis failing to arrive as arranged. This is known as a job not covered. This occurs particularly during the peak periods, on a Friday and Saturday night and in outer suburban areas. Improvements are also needed in the service provided by MPTs, which carry people who are restricted to travelling in a wheelchair.

## **5 CONSULTATION WITH INDUSTRY AND CONSUMERS**

Consultation with the industry and consumers has been central to this review. There have been two major consultation components – an industry forum and an industry survey – as well as a survey of consumer representatives. This consultation is examined in detail in the sections below.

A further important strategy of this review has been direct and ongoing consultation with members of the industry. Initially, it was envisaged that this consultation with the industry would take place through the Taxi Council of Western Australia, which was invited to participate in the review process as the principal reference group. However, the Taxi Council withdrew from the review process when its input to the taxi industry survey questionnaire was requested, enabling broader and more productive consultation with the industry.

### **5.1 The Forum**

The process of consultation commenced with an industry forum on 26 February 2003. Approximately 100 people attended, comprising people selected on a random basis from the industry as well as representatives from industry and consumer groups.

Presentations were given by:

- National Competition Council;
- Department of Treasury and Finance;
- Taxi Council of Western Australia; and
- Hon Graham Giffard MLC and Mr Tony D'ercole (on the taxi deregulation experience in the Northern Territory).

After the presentations, the forum participants examined each of the key questions faced by the industry, putting forward suggestions for addressing the issue and determining the extent of agreement to each suggestion. The process ensured that all issues relevant to the objectives of the review were identified.<sup>10</sup>

### **5.2 Industry and Consumer Survey**

#### **5.2.1 Survey Objectives**

The primary objective of the survey was to provide a means of consulting with all industry members and consumer representative groups. Given the number and diversity of the industry stakeholders, it was decided that a postal survey of all stakeholders would be the most appropriate means of consultation.

To ensure an independent process and anonymity for the survey participants, an external market research company was engaged to conduct the survey. The contract was awarded to Market Equity P/L in April 2003.

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<sup>10</sup> Appendix 4 provides a summary of the Forum outcomes.

### 5.2.2 Questionnaire Development

There were two separate survey questionnaires, one for industry participants and another for the consumer representatives. The content of the survey questionnaires reflected the outcomes from the Taxi Forum

The survey was piloted with a representative sample of 20 taxi drivers and taxi plate owners.

### 5.2.3 Survey Participants

The mailing lists for industry participants comprised the following groups:

- Registered taxi drivers – 2,712
- Taxi plate owner-drivers – 483
- Taxi plate owners – 505 (all known non-driving owners)
- Taxi management companies – 7
- Taxi dispatch services – 5 (this excluded single taxi entities who were included in the taxi driver count)

The consumer questionnaire was sent to the 18 consumer groups that had attended the taxi forum.

### 5.2.4 Results Summary – Industry Survey

#### 5.2.4.1 Analysis of the return of questionnaires and population groups

##### 5.2.4.1.1 Return of questionnaires

Table 4 summarises the number of people and organisations (by population group) that received and returned a questionnaire.

**Table 4 - Number of questionnaires returned by population group**

|                         | Total Population | Questionnaires Returned <sup>1</sup> | Response Rate (%) | Weighted Questionnaires Returned <sup>2</sup> | Weighted Response Rate (%) |
|-------------------------|------------------|--------------------------------------|-------------------|---|----------------------------|
| Taxi Plate Owner        | 460              | 202                                  | 44                | 151   | 12.5                       |
| Taxi Plate Owner-driver | 483              | 297                                  | 62                | 158   | 13.2                       |
| Taxi Driver             | 2,712            | 694                                  | 26                | 887   | 74.0                       |
| Management Company      | 7                | 4                                    | 57                | 2   | 0.2                        |
| Taxi Dispatch Service   | 5                | 3                                    | 60                | 2   | 0.2                        |
| Totals                  | 3,667            | 1,200                                | 33                | 1,200   | 100.0                      |

<sup>1</sup> A further 58 questionnaires were returned but were either incomplete or invalid. Including these, the overall response was 1,258 or 34%.

<sup>2</sup> The weighted figures take the actual number of returned questionnaires and adjust it to align with the size of each respondent group in the total population of respondents who were sent a questionnaire.

The use of weighting has no effect on any result that compares responses within each of the population groups (owner, owner-driver, driver etc) but does have an effect on results that compare responses across population groups. The results of the survey are reported with weighting applied to the responses to ensure that the responses are representative of the different population groups in the Perth taxi industry.

#### **5.2.4.1.2 Analysis of driver types**

The taxi driver population can be broken down further into plate lease drivers and shift lease drivers. Of the 576 drivers who nominated themselves as either shift lease or plate lease drivers, 106 (18%) nominated themselves as plate lease drivers and 470 (82%) nominated themselves as shift lease drivers.

#### **5.2.4.1.3 Analysis of owner responses**

The taxi plate owners were asked to nominate the type(s) and number of taxi plates that they own. The majority of taxi plate owners reported owning only one taxi plate (82 per cent) with a further 13 per cent of owners having two plates and the remaining 5 per cent having 3 to 5 plates.

The overall response rate across all taxi plate owners was 55 per cent, and there is some variability of response rate across the different types of taxi plate.<sup>11</sup>

#### **5.2.4.2 Levels of participation in the industry for taxi drivers**

Taxi drivers and taxi plate owner-drivers were asked a number of questions to identify their level of participation in the taxi industry.

The data indicated that over 90 per cent of the respondents are currently active in the industry on a full-time basis, i.e. drive more than 40 hours per week. The number of hours worked on average per week is relatively similar between the taxi drivers and the owner-drivers. The majority of drivers and owner-drivers (59%) work during the day.

#### **5.2.4.3 Options for the reform of the taxi industry**

##### **5.2.4.3.1 Buyback values for taxi plates**

The first question asked the respondents to nominate an amount that they considered a fair price for each type of taxi plate. Table 5 below shows the average of the amounts nominated by each population group for the various types of taxi plate.

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<sup>11</sup> [Details of the response rate from the owners of each type of taxi plate can be found in Appendix 5.](#)

**Table 5 - Fair prices nominated by each population group (dollars)**

| Taxi Plate Type      |         | Taxi Driver | Plate Owner * | Plate Owner-driver * | All Owners | Industry Total |
|----------------------|---------|-------------|---------------|----------------------|------------|----------------|
| Conventional         | Average | 173,015     | 240,973       | 250,027              | 240,947    | 191,713        |
| Area Restricted      | Average | 74,570      | 151,136       | 151,136              | 144,369    | 89,955         |
| MPT (FT)             | Average | 103,767     | 190,500       | 185,667              | 170,907    | 119,797        |
| MPT (3-year)         | Average | 63,763      | 167,857       | 167,857              | 152,881    | 82,911         |
| MPT (NT)             | Average | 23,962      | 45,250        | 45,250               | 35,555     | 25,300         |
| Peak Period (FT)     | Average | 26,722      | 65,500        | 66,063               | 60,627     | 34,296         |
| Peak Period (3-year) | Average | 19,032      | 63,636        | 63,636               | 53,678     | 26,166         |
| Peak Period (NT)     | Average | 7,665       | 32,000        | 32,000               | 18,928     | 9,142          |

\* These are the average prices nominated by owners of each type of plate whereas the All Owner column is the average price nominated by all owners irrespective of the type of plate that they own.

FT = Fully Transferable Plate

3-year = 3-year Transferable Plate, i.e. plate has to be owned for a minimum of 3 years before it can be transferred

NT = Non-Transferable Plate

There is a clear distinction between the amounts nominated by the taxi plate owners and the taxi drivers. The taxi drivers have nominated amounts that are approximately 20–70 per cent of the amounts nominated by the taxi plate owners. The amounts nominated by the plate owners and the plate owner-drivers who own each type of taxi plate are broadly in line with each other.

In all cases where a comparison is possible, the average amount nominated by the owners of each type of taxi plate is higher than the amount nominated by all owners. All owners nominated a fair buyback price at a higher level than the average 2002 market price for all plate types.

#### **5.2.4.3.2 Rating of taxi industry reform options**

The respondents were asked to rate seven options related to the reform of the taxi industry and to select the single option that they most preferred.

The industry strongly opposes a buyback of all taxi plates with deregulation, with 70 per cent opposing the option. Clearly, the industry wants to retain a cap on the total number of plates in the market.



Industry support for a taxi plate buyback, on either a voluntary or compulsory basis, is 48 per cent. There are significant differences in the support for a buyback between taxi plate owners and taxi drivers, particularly plate lease drivers<sup>12</sup>. The taxi plate owners are strongly opposed to a buyback (68 per cent) whereas drivers support a buyback (54 per cent). Looking at the drivers in more detail reveals that plate lease drivers strongly support a buyback (63 per cent) and shift lease drivers marginally support a buyback (51 per cent). A buyback is also supported by three of the four taxi management companies and two of the three taxi dispatch services that responded to the survey.

Among the five options for buyback, a compulsory buyback of all taxi plates is the most preferred with 21 per cent support, followed by a voluntary buyback of all taxi plates with 14 per cent support. There is relatively low overall support (16 per cent) for the two options involving partial buyback of restricted taxi plates.

#### **5.2.4.3.3 Interest in taking up a taxi licence from Government**

The respondents were asked to express their interest in taking up a taxi licence from the Government if a plate buyback were to take place.

The level of interest in taking up a taxi licence across the industry is 47 per cent in a compulsory buyback situation and 43 per cent in a voluntary buyback situation<sup>13</sup>. Owners show the greatest resistance to taking up a licence in the event of a buyback. Overall 89 per cent of owners and 59 per cent of owner-drivers would not take up a licence if the buyback were compulsory. In the event of a compulsory buyback, the potential level of take up among plate lease drivers is very high (87 per cent) and among shift lease drivers moderate (48 per cent).

Taking up a licence under a voluntary buyback is less attractive to the industry as a whole. The percentage of drivers, both plate and shift lease, who would take up a licence under a voluntary buyback falls to 41 per cent (compared to 48 per cent under a compulsory buyback).

Taxi dispatch services are more open to taking up a licence than the taxi management companies, although this sample group is very small. The key reason for opposition to taking up a licence cited by the taxi management companies is concern over the level of government interference in the industry.

#### **5.2.4.3.4 Licence Fee Payments to Government**

The overall average fee nominated by the industry to take up a licence from Government is \$831.35 per month or \$207.84 per week. Owners and owner-drivers nominated higher amounts than the drivers. The owners nominated the highest amount, \$285.75 per week, and the taxi dispatch companies nominated the lowest amount at \$165.25 per week.

The preferred payment period nominated by all population groups was monthly.

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<sup>12</sup> Refer to the table in Appendix 6 for a more detailed breakdown of the responses supplied by each population group.

<sup>13</sup> Refer to the table in Appendix 7 for more details.

The preferred average lifetime of a taxi licence nominated by the industry was for an indefinite period. However, drivers were more open to shorter licence periods with some support for 5 and 10 year licences.

#### **5.2.4.4 Improving customer service – the industry view**

The survey included a total of ten options that could improve the service delivered to the customer. These options were also included in the consumer survey. Table 6 below summarises the support received for each option.<sup>14</sup>

**Table 6 - Industry support for the options for improving customer service**

| Option   | Proportion of respondents supporting the option (%) |
|--|---|
| Continue to have restricted type plates as a means of addressing particular areas of demand  | 66%   |
| Increase the number of peak period taxis (i.e. those that operate on Friday and Saturday night)  | 19%   |
| Provide customers with an option for a higher priced fare for guaranteed service during the peak period  | 39%   |
| Provide customers with an option for a fixed price fare so that they will know what they are going to pay prior to the trip  | 30%   |
| Increase the number of area restricted taxis (i.e. those that operate in the outer suburbs only)   | 37%   |
| Increase the number of multi-purpose taxis   | 21%   |
| Increase the flagfall for taxi trips that originate in the outer suburbs   | 43%   |
| Introduce a minimum total fare (including flagfall) for trips that originate in the outer suburbs. The passenger pays the minimum fare or the metered fare, whichever is the greater | 52%   |
| Introduce a telephone booking fee for taxi trips that originate in the outer suburbs. The taxi driver collects the booking fee along with the fare                                   | 47%   |
| Taxi dispatch services to be responsible for directing taxis in order to meet demand, particularly in the outer suburbs  | 44%   |

The percentage support comprises the sum of the “strongly support” and “mildly support” ratings for each option.

Any proposal to increase the number of taxis operating to improve service levels received low levels of support. However, there is strong support for retaining different types of taxi plates to address particular types of demand.

<sup>14</sup> A detailed table breaking the results down into each population group is in Appendix 8.

There was some support for fare based initiatives to improve service in the outer suburbs, with particular support for the introduction of a minimum fare for trips originating in the outer suburbs.

Making taxi dispatch services responsible for directing taxis to meet demand in the outer suburbs received some support across the owner and driver population groups and 100 per cent support from the taxi dispatch services themselves.

#### **5.2.4.5 Improving driver income**

Five options for improving driver incomes were put to the respondents. The improvement could be realised by reducing the cost to the driver or increasing income from fares. The summary results are presented in Table 7 below<sup>15</sup>.

**Table 7 - Support for improving driver income options**

| <b>Option</b>  | <b>Taxi Plate Owners and Owner-drivers</b> | <b>Taxi Drivers</b> |
|--|--|---------------------|
| Reduce current lease rates   | 12%  | 75%                 |
| Set maximum lease rates at current market average and freeze for 2 years, then review annually   | 44%  | 58%                 |
| Offer additional licences at a lease rate lower than current taxi plates lease rates   | 6%   | 33%                 |
| Introduce a minimum total fare (including flagfall) for all taxi trips; the passenger pays the metered fare or the minimum fare, whichever is the greater          | 48%  | 53%                 |
| Introduce a telephone booking fee for all taxi trips that are booked through a taxi dispatch service; the taxi driver collects the booking fee along with the fare | 51%  | 45%                 |

In interpreting the total results, it is important to note that the number of drivers responding to the survey was approximately three times higher than the number of owners (on a weighted basis). Drivers strongly favour the two options that involve reducing lease rates or re-setting the maximum lease rate and freezing for two years. The latter option does receive some support from owners. Neither owners nor drivers favour the option of having additional lease plates (taxi licences) released at rates lower than current taxi lease rates.

<sup>15</sup> [A more detailed table of the results can be found in Appendix 9.](#)

Both of the options addressing fares receive some support from owners and drivers with the introduction of a telephone booking fee being favoured most by owners and the introduction of a guaranteed minimum fare being favoured most by drivers.

#### **5.2.4.6 Current taxi plate lease costs**

The survey provided a comprehensive assessment of lease costs within the industry.<sup>16</sup> Approximately 23 per cent of owner-drivers and 27 per cent of plate lease drivers do not lease their taxis to another driver.

##### **5.2.4.6.1 Weekly Conventional Taxi plate lease costs**

Owners were asked questions about leasing their taxi plate to other drivers on a weekly basis. Also plate lease drivers were asked how much they pay owners for their weekly plate lease.

**Table 8 - Weekly taxi plate leasing costs (dollars)**

|                                    | <b>Plate Owner and Plate Owner-driver</b> | <b>Taxi Driver Plate Lease</b> |
|------------------------------------|---|--------------------------------|
| Average weekly plate lease charged | \$340.37                                  | N/A                            |
| Average weekly plate lease paid    | N/A                                       | \$346.16                       |

In calculating the average values, the data was processed to remove all amounts less than \$250 per week and greater than \$453 per week in order to focus on costs for a Conventional Taxi plate as the majority of taxi plates are Conventional Taxi plates (924 out of 1114).

The average amount charged for a weekly plate lease by the owners for a Conventional Taxi plate is very close to the amount nominated by the plate lease driver. It is significant that the amounts nominated for a taxi plate lease are approximately 76 per cent of the current maximum regulated lease rate of \$453 per week.

##### **5.2.4.6.2 Taxi shift lease costs**

Owners, owner-drivers and plate lease drivers were asked questions about leasing their taxi to another driver on a shift lease basis. Also shift lease drivers were asked how much they pay for leasing their taxi per shift. Among the owner groups, 68 per cent of owners and 41 per cent of owner-drivers reported that they lease their taxi to another driver on a shift basis.

In reporting average amounts per shift, the shifts were grouped into weekday and weekend shifts to reflect the industry practice of charging more for shift leases on Friday and Saturday nights compared to the rest of the week. The responses are detailed in Table 9 below.

<sup>16</sup> [A comprehensive assessment of current leasing costs can be found in Appendix 10.](#)

**Table 9 - Shift lease costs (dollars)**

|  | <b>Plate Owner</b> | <b>Plate Owner-driver</b> | <b>Taxi Driver Plate Lease</b> | <b>Taxi Driver Shift Lease</b> | <b>Management Company</b> |
|--|--------------------|---------------------------|--------------------------------|--------------------------------|---------------------------|
| Average charge to shift lease – weekday (\$/shift)               | 63.26              | 64.36                     | 63.75                          | N/A                            | 67.50                     |
| Average charge to shift lease – weekend (\$/shift)               | 82.50              | 83.40                     | 83.46                          | N/A                            | 92.00                     |
| Average cost to shift lease – weekday (\$/shift)                 | N/A                | N/A                       | N/A                            | 66.83                          | N/A                       |
| Average cost to shift lease – weekend (\$/shift for dayshifts)   | N/A                | N/A                       | N/A                            | 67.53                          | N/A                       |
| Average cost to shift lease – weekend (\$/shift for nightshifts) | N/A                | N/A                       | N/A                            | 93.20                          | N/A                       |

The amounts nominated by the shift lease drivers are close to those nominated by the owners and plate lease drivers, within an acceptable level of statistical error.

The regulated maximum shift lease rates for a 12-hour shift are \$67.50 per shift for all shifts other than Friday and Saturday nights and \$94 per shift for Friday and Saturday nights. It is significant that the amounts nominated by the shift lease drivers for all shifts are very close to the regulated maximum values, ie within 1 per cent.

#### **5.2.4.6.3 Other taxi leasing arrangements**

Owners, owner-drivers and plate lease drivers were asked questions about leasing their taxi to another driver on a basis other than shift leasing. Also taxi drivers were asked how much they pay to lease a taxi on a basis other than plate or shift leasing. In these situations it is usual for a taxi driver to pay a fixed amount for a set number of shifts each week. Table 10 below sets out the equivalent amounts that are charged/paid per shift.

**Table 10 - Cost of leasing a taxi other than on a shift or plate lease basis (dollars)**

|   | <b>Plate Owners</b> | <b>Plate Owner-driver</b> | <b>Taxi Driver – Plate Lease</b> | <b>Taxi Driver – Plate Lease*</b> | <b>Taxi Driver – Shift Lease</b> |
|---|---------------------|---------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Average charge to lease a taxi (\$/shift)       | 32.30               | 50.86                     | 57.89                            | N/A                               | N/A                              |
| Average number of shifts the taxi is leased for | 10                  | 7                         | 6                                | N/A                               | N/A                              |
| Average amount paid to lease a taxi (\$/shift)  | N/A                 | N/A                       | N/A                              | 38.14                             | 59.34                            |
| Average number of shifts the taxi is leased for | N/A                 | N/A                       | N/A                              | 8                                 | 7                                |

\* There were some drivers who nominated themselves as plate lease drivers but completed the question related to other leasing arrangements rather than the question related to plate leasing arrangements. In these cases their response to the other leasing arrangement question was accepted as valid and included in the table above.

In calculating the average values, the data was processed to remove all amounts less than \$150 per week in order to focus on costs for a Conventional Taxi. Amounts less than \$150 per week will include arrangements for the leasing of other types of taxi, particularly Peak Period Restricted Taxis.

The average amount charged per shift varies widely between the owners and plate lease drivers with the latter charging the higher amount. The lowest average charge is from the taxi owner who is leasing the taxi for 10 shifts (ie a full week) for half of the equivalent cost per shift for a weekday shift.

The amounts paid by the drivers vary widely with the shift lease driver paying the higher amount. There is a strong correlation between the amounts paid by the shift lease drivers and the amounts charged by owner-drivers and plate lease drivers (who are more likely to lease their taxi to another driver). The data shows that there are some savings to the driver in taking a weekly taxi lease compared to shift leasing, but the savings are relatively modest.

## **5.2.5 Results Summary – Consumer Groups**

### **5.2.5.1 Response levels**

Completed questionnaires were received from 11 of the 18 consumer representatives who received a questionnaire, a response rate of 61.1 per cent. While there are a relatively small number of respondents, and therefore care should be taken in interpreting the results, the respondents constitute a sample of representative consumer groups.

### 5.2.5.2 Improving customer service

The consumer respondents were asked to rate the same 10 options for improving customer service that were put to the taxi industry. Each option was rated on a five-point scale from “definitely wouldn’t improve customer service” (1) to “definitely would improve customer service” (5). Table 11 below details the support for each option and compares this with the support for the same options from the taxi industry.

**Table 11 - Support for the options for improving customer service options**

| Option   | Percentage of respondents supporting the option |               |            |
|--|---|---------------|------------|
|  | Consumers                                       | Taxi Industry | Difference |
| Continue to have restricted type plates as a means of addressing particular areas of demand  | 82  | 66            | 16         |
| Increase the number of peak period taxis (ie those that operate on Friday and Saturday night)  | 82  | 19            | 63         |
| Provide customers with an option for a higher priced fare for guaranteed service during the peak period  | 36  | 39            | -3         |
| Provide customers with an option for a fixed price fare so that they will know what they are going to pay prior to the trip  | 82  | 30            | 52         |
| Increase the number of area restricted taxis (ie those that operate in the outer suburbs only)   | 64  | 37            | 27         |
| Increase the number of multi-purpose taxis   | 80  | 21            | 59         |
| Increase the flagfall for taxi trips that originate in the outer suburbs   | 11  | 43            | -32        |
| Introduce a minimum total fare (including flagfall) for trips that originate in the outer suburbs; the passenger pays the minimum fare or the metered fare, whichever is the greater | 36  | 52            | -16        |
| Introduce a telephone booking fee for taxi trips that originate in the outer suburbs; the taxi driver collects the booking fee along with the fare                                   | 30  | 47            | -17        |
| Taxi dispatch services to be responsible for directing taxis in order to meet demand, particularly in the outer suburbs  | 60  | 44            | 16         |

The percentage support comprises the sum of the “strongly support” and “mildly support” ratings for each option.

Consumer representatives strongly favour the retention of restricted taxi plate types and an increase in the number of Peak Period Restricted Taxis, Multi-Purpose Taxis and Area Restricted Taxis.

With regard to fares, the consumer representatives do not favour any of the options that would increase fares, but do support the introduction of a fixed price fare structure.

In summary, the survey results only serve to highlight conflicts between the interests of the consumer and the interests of the taxi industry.

#### ***5.2.5.3 Additional suggestions for improving customer service***

The consumer representatives were provided with an opportunity to nominate up to three suggestions for improving customer service. The main themes of the suggestions put forward were:

- Improving driver attitudes, knowledge, appearance and levels of customer service
- Increasing the number of taxis/plates
- Increasing the availability of taxis
- Improving Multi-Purpose Taxis, particularly vehicle standards



## **6 STRATEGIC ASSESSMENT OF THE SURVEY DATA AND PERFORMANCE DATA**

This section presents the results of a strategic assessment of the survey data and performance data undertaken with reference to the objectives of the review, and identifies the key conclusions.

### **6.1 Re-structuring of the Taxi Industry**

Seven options for restructuring the taxi industry were presented as part of the industry survey. There were five buyback options and two no buyback options. For the industry as a whole, 48.3 per cent prefer a buyback option and 51.7 per cent do not.

The vast majority of survey respondents indicated that they wanted to retain the cap on taxi plates, ie no deregulation.

The survey results clearly do not support compulsory buyback. However, a significant percentage of the industry want a buyback.

A voluntary buyback would provide for those who want buyback, while not imposing the requirement on those who do not want it.

The buyback price offered must be fair and equitable. The market price should be used as the fairest yardstick.

#### ***6.1.1 Impacts from Industry Re-structuring***

Whenever change is introduced, there will be some who benefit from that change and others who will be adversely affected. It is important to identify strategies that manage the negative impacts of change, where this is possible, particularly for plate owners who are likely to experience the greatest impact from buyback.

The price of taxi plates has been volatile in the last five years. It is important to note that 72 Conventional Taxi plates transferred for more than \$200,000 and 122 Conventional Taxi plates transferred for more than \$190,000 since 1996.

To address concerns of fairness and equity, a safety net should be made available for plate owners who have paid more than the recommended buyback price. They should be able to have their plate purchased by the Government at the price that they paid for it (inclusive of GST).

### **6.2 Fair Returns to Drivers**

Lease rates should be reduced for the objectives of improved returns to drivers to be met.

#### ***6.2.1 Driver Income Improvements***

Improving the situation of the driver is a key objective in the review. There are a number of issues to be aware of in this regard.

If buyback were to occur and extra plates are leased to the industry at a reduced licence rate, drivers can reasonably assume they will be better off. However, to ensure this, specific consideration should be given to the three types of drivers:

- shift lease drivers
- plate lease drivers
- owner-drivers

The financial circumstances of shift lease drivers are the simplest to consider. In general terms, through the results of the survey, these drivers are seen to be paying close to, or at, the shift lease maximum of \$67.50 per weekday shift. Through lowering the maximum shift lease rate, the Government can ensure that the costs of operating as a driver are reduced.

Plate lease drivers face a more complex financial situation. The State Government sets the maximum plate lease rates and could lower them to reduce the costs faced by the driver. However, plate lease drivers who double-shift their taxi would then face a reduction in revenue due to the reduction in shift lease rates. To address this issue, the plate lease rate would, on a proportional basis, have to decrease to a greater degree than the shift lease rate.

Owner-drivers face an even more complex financial situation. In general terms, owner drivers will have to give consideration to a range of factors in order to assess their financial situation once a voluntary buyback is instituted. Is the main reason for having a taxi plate that it provides an income and job opportunity or is investment the focus for plate ownership? Other key considerations for owner drivers is the extent of debt still outstanding on the plate and the extent of time that the owner expects to remain in the industry as a driver.

Owner-drivers have demonstrated the greatest commitment to the industry through the purchase of a plate. They should be given special financial incentives to encourage them to remain in the industry.

### **6.3 Improved Customer Service**

Consumer representatives suggested in the survey that increases in the number of taxis during peak periods and the number of Multi-Purpose Taxis would lead to an improvement in service levels. Consumers did not support increases in fares even for improved service.

A key customer service requirement of the taxi industry is that when a customer orders a taxi, that taxi arrives as arranged. Where this does not happen, it is considered to be a 'job not covered'. In general terms, the taxi industry does a good job of getting taxis to people, with the exception of certain times of the week and at certain places.

Industry data has shown that there is significant demand in the peak periods and outer suburbs that is not being met. In addition, waiting times for the Multi-Purpose Taxis, for people in wheelchairs, are greater compared to waiting times for the general community.

Table 12 below summarises the effect on ‘jobs not covered’ of increasing the number of Peak Period Restricted Taxis by between 30 and 60 plates.

**Table 12 - Effect of increasing Peak Period Restricted Taxis on Jobs Not Covered and average driver incomes**

|                                    | <b>Existing Jobs not Covered</b> | <b>+30 Plates</b> | <b>+40 Plates</b> | <b>+50 Plates</b> | <b>+60 Plates</b> |
|------------------------------------|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Jobs not covered (%)               | 5.39                             | 2.22              | 1.79              | 1.43              | 1.22              |
| Av. reduction in driver income (%) | N/A                              | 1.55              | 2.34              | 3.14              | 3.99              |

Similarly, the level of jobs not covered in the outer suburbs is greater – particularly in peak periods.

Table 13 below presents the jobs not covered data for the four outer suburban corridors based on a study covering an 8-week period in September and October 2002. Recent summary level data for the outer suburbs indicates that this is representative of the normal monthly performance levels.

**Table 13 - Jobs not Covered Data for Outer Suburbs**

| <b>JNC Outer Suburb Corridors</b> | <b>Peak (%)</b> | <b>Off-Peak (%)</b> |
|-----------------------------------|-----------------|---------------------|
| North                             | 6.67            | 2.54                |
| North-East                        | 15.95           | 2.66                |
| South-East                        | 13.45           | 3.21                |
| South                             | 12.51           | 5.34                |

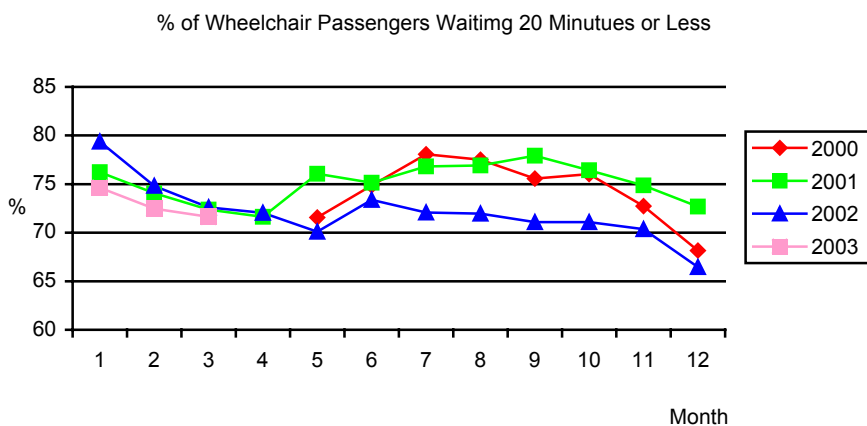
A specific assessment of the extra number of taxis required in outer areas has been undertaken. This analysis was done on the basis of the four outer area “corridors” in the metropolitan area: north, north-east, south, south-east. The analysis identified the need for the following additional taxis:

- north: 1 Area Restricted taxi;
- north east: 1 Area Restricted taxi;
- south: 2 Area Restricted taxis
- south east: 2 Area Restricted taxis

The reason that only one additional plate is recommended in the north east corridor is that the extent of jobs in this area is relatively low compared to the southern corridors.

There are also continuing concerns in regard to the level of service received by people who use Multi-Purpose Taxis (MPTs). The waiting times shown in the graph below provide some basis for the introduction of additional MPTs into the industry.

**Table 14 - Multi-Purpose Taxis**  
**Percentage of Wheelchair Passengers Waiting 20 minutes or Less**



There also has been a significant increase in the number of MPT taxi dispatch jobs in the 12 months of 2002 compared to the previous year.

A key consideration for consumers is the cost of catching a taxi. Some consumers have concerns about the extent to which taxis represent value for money. In the September 2002 DPI customer survey, from a value for money perspective, 24% of taxi users identified that taxis fell below their expectations from a value for money perspective.

#### 6.4 Meeting the National Competition Council Requirements

The NCC requires the regular release of taxi plates, a commitment to the release of taxi plates and independent monitoring of the provision of additional taxi plates.

As presented in section 6.3, current data provides significant justification for the release of additional taxi plates. A plate release formula is required to meet the NCC's requirement for a regular release of additional taxi plates. The following principles are considered appropriate in the development of a plate release formula:

- **Provide for a standard regular release of taxi plates:**  
 Any formula that doesn't have a commitment to a regular release will not be acceptable to the NCC.
- **Provide flexibility to take account of variable demand in the industry:**  
 The levels of demand for taxi services are very variable. It would be inappropriate to release significant numbers of additional taxis into the market where the industry is experiencing a significant downturn. Likewise where the industry is experiencing boom conditions, a plate release formula needs to be responsive to the needs of consumers to ensure sufficient taxis are provided.

## **7 A NEW REGULATORY APPROACH FOR THE METROPOLITAN TAXI INDUSTRY**

Taking account of the review objectives and the results of the strategic assessment of the survey and performance data, a preferred option has been developed.

The preferred option is based on the following principles:

- voluntary buyback of taxi plates
- reduced licence fees
- minimising fare increases
- increased number of taxis

### **7.1 Voluntary Buyback**

The preferred option for achieving the desired changes in the taxi industry is a voluntary buyback of taxi plates with future plates to be made available for a licence fee from the State Government.

The buyback offer should be available for a period of three years, although the price offered over that period should encourage as many owners to sign on as soon as possible for buyback.

#### **7.1.1 Buyback Price**

The price nominated should be equal to the average price at which plates transacted during 2002. For some classes of plate, it is not possible for this approach to be used, so an alternative approach is taken.

The buyback price for each class of plate is as follows:

- |                                     |           |
|-------------------------------------|-----------|
| • Conventional Taxis (924)          | \$192,000 |
| • Multi-Purpose Taxis (56)          | \$99,000  |
| • Peak Period Restricted Taxis (70) | \$31,000  |
| • Non Transferable Taxis (57)       | \$0       |
| • Area Restricted Taxis (8)         | \$99,000  |

There were no area restricted taxis traded in 2002 so the average price for an MPT has been used.

To address concerns of fairness and equity, a safety net should be made available for plate owners who have paid more than the price nominated above. They should be able to have their plate purchased by the State Government at the price that they paid for it (inclusive of GST).

## 7.2 Fair Returns to Drivers

Without increases in demand or raising fares, driver income can only be improved by reducing costs.

Plates should be made available for a licence fee from the State Government. The licence fee should be significantly less than the lease rates currently paid by drivers.

Shift lease rates should also be reduced.

Special consideration should be given to owner drivers as part of the new industry structure. Owner drivers that accept the buyback offer and remain in the industry should be provided with a rebate for the first 5 years of the new taxi licence scheme equal to the total amount of GST payable on the sale of their plates.

The proposed licence rates for the other types of plate should set as percentages of the Conventional taxi licence rate, as follows:

- PPRTs – 20%
- Multi-Purpose Taxis – 40%
- Area Restricted Taxis – 40%

The licence fees should increase in line with the transportation cost index produced by the Australian Bureau of Statistics called the Private Motoring Index.

Government should make available licences after buyback in the following preferential order:

- current owner-drivers (one per person)
- plate lease drivers (one per person)
- shift lease drivers (one per person)
- taxi management companies and taxi dispatch services (unlimited)
- Licences should be issued for a period of three years, after which the licence holder driver should have the first right of refusal for the licence. If oversubscribed, licences should be issued by ballot.

## 7.3 Additional Taxes to Meet Consumer Demand

The number of taxi licences available after buyback should remain capped by Government.

Plate types should continue to include Conventional Taxis, Multi-Purpose Taxis, Peak Period Restricted Taxis, and Area Restricted Taxis.

Operating zones for Area Restricted Taxis should be redefined based on the outer suburban “corridors” (North, North-East, South and South-East). By defining larger outer areas, in most cases, this should improve customer service and operator viability of outer area taxi plates.

For Conventional Taxi Plates, each year a number of plates equivalent to 1 per cent of full-time plates should be made available for licence based on jobs growth per taxi. The number

of plates released should be varied if there is a significant growth or decline in the number of taxi jobs, as follows:

- If the number of jobs over the preceding 12 months has increased or decreased by less than one per cent, the standard additional 1 per cent of licences should be made available.
- If the number of jobs has declined by more than 1 per cent, fewer plates should be added to the market. A decline of 2 per cent or more should result in no additional taxi plates.
- If the number of taxi jobs has increased by more than 1 per cent, a greater number of plates should be added to the market. An increase in jobs of 2 per cent should result in a 2 per cent plate release and an increase in jobs of 3 per cent should result in a 3 per cent plate release.

In regard to the other plate types a similar approach should be used , however, particular consideration needs to be given to factors such as 'jobs not covered' and waiting time. Where jobs not covered and waiting standards are not being met, extra plates should be released in addition to those required to meet extra demand.

Additional licences should be released as soon as possible, as nominated below:

|                         |       |
|-------------------------|-------|
| • Conventional Taxis    | 28    |
| • MPTs                  | 4     |
| • PPRTs                 | 12    |
| • Area Restricted Taxis | 6     |
|                         | Total |
|                         | 50    |

#### **7.4 Fares**

Reductions in lease payments under a voluntary buyback provides the opportunity to also reduce the costs to consumers. On this basis, taxi fares should be maintained at current levels for one further year (2003/04) and then increased annually based on the movement in the Private Motoring Index.

## **8 IMPLEMENTATION OF THE NEW REGULATORY APPROACH FOR THE METROPOLITAN TAXI INDUSTRY**

Buyback is the mechanism by which most of the other recommendations become most effective. Whilst Government could reduce lease rates, increase the number of taxis on the road (through the proposed taxi licences) and dampen growth in fares, they are all more difficult without buyback.

For example, reducing regulated lease rates (licence fees) without compensation (through buyback) for the impact this would have on plate prices raises concerns of equity and fairness. Similarly, maintaining fares at the current level for a further year could also be seen as unfair without the reduction in licence fees for drivers.

However, there is a strong case for offering taxi licences as outlined, as the process of tendering plates has led to unnecessary cost structures (high market prices for taxi plates) that is a burden to the driver and the paying customer. All future issues should be taxi licences as recommended.

### **8.1 Financing Voluntary Buyback**

Up to \$180 million would be required to compensate existing taxi licence plate owners for the cancellation of their licence if there is a 100% take up of the buyback offer. The funds raised, would be repaid over a period of time by a cashflow generated from the issuance of new periodic non transferable licences.

A cashflow of up to \$13 million in total annual payments would be required to begin paying the interest and principal on this amount. These payments would increase as more licences are released.

There are essentially two financing options for funding the buyback of taxi plates. These are:

1. Government debt finance provided through Western Australian Treasury Corporation; or
2. A private sector bond issue using an 'off balance' sheet Special Purpose Entity.

The first option would result in an increase in Government debt.

The second option can be achieved without affecting the net debt position of Government. It has also been assessed that finance would be priced competitively.

There are a number of important issues associated with private sector financing that need to be considered.

1. Under the voluntary buyback scheme, there is no guarantee about the size of the buyback package.
2. Privately funded buyback would lock in certain regulatory settings. There would be a requirement to set the licence fee charged and the licence release formula in advance in order to provide sufficient certainty to the bond holders. Any regulatory changes affecting either the rate of licence plate release or the licence fee would



need to approved by the bond holders within a pre determined framework. If Government sought to deviate from its commitment to any predetermined formulae then it would need to demonstrate that the bond holders' interests were not compromised by changes.

### 8.1.1 Financial Modelling of Alternative Licence Fee Scenarios

For comparison, alternate options with different licence fees are assessed.

**Table 15 - Financial assessment of alternate licence fee options**

| Input Parameter   | Scenario 1 | Scenario 2 | Scenario 3 |
|---|------------|------------|------------|
| Taxi plate price at buyback for Conventional plates (a) (b)                       | \$192,000  | \$192,000  | \$192,000  |
| Licence fee for Conventional plates after buyback (exclusive of GST) (c)          | \$235/wk   | \$260/wk   | \$285/wk   |
| Shared Savings to Plate Lease and Shift Lease Drivers (per week exclusive of GST) | \$79       | \$54       | \$29       |
| Cumulative effect of assumptions on pay-back period (years)                       | 21 years   | 19 years   | 17 years   |

- (a) The buyback price for the other plates is assumed to be the following: Multi-Purpose Taxis \$99,000; Peak Period Restricted Taxis \$31,000; Non Transferable Taxis \$0; Area Restricted Taxis \$99,000
- (b) The above table assumes an 80% take up of voluntary buyback offer across all plates.
- (c) The nominated licence fee applies only to Conventional plates. The licence fee for other types of plates is assumed to be a percentage of the Conventional plate fee as follows for the base case: Peak Period Restricted Taxi 20%; Multi-Purpose Taxi 40%; Area Restricted 40%.
- (d) A plate release of 1 per cent per year is assumed.

The analysis shows that:

- Savings to drivers varies depending on the licence fee paid.
- It is important to realise that the savings that accrue to a driver depend on the circumstance of the individual driver. For example, a plate lease driver who does not on-lease the vehicle gets the whole of the licence fee reduction, as nominated in the table. Where the vehicle is double shifted then the increase in the revenue to the plate driver is dependent on the reduction in the regulated shift lease fee.
- The increase in revenue to the shift lease driver is dependent on the drop in the regulated shift lease fee. In general terms, it could be expected that the shift lease fee would be varied downwards such that approximately half of the reduction in the plate lease fee accrues to the shift lease driver.

## **8.2 Risk assessment**

It is appropriate to undertake a risk analysis of the proposed restructure. Through this analysis the risks and management strategies, where applicable, will be identified. This risk analysis should be undertaken prior to a preferred option being identified.

## **8.3 Legislative Change**

Under the existing *Taxi Act 1994* there is no provision for the Government to undertake a buyback, whether voluntary or compulsory, nor to issue taxi licences on a lease basis. Legislative change is required to implement such changes.

## **8.4 Administration of the Buyback Process and Future Regulatory Arrangement**

A significant amount of work would be needed in undertaking the tender process to identify a preferred financial institution to finance the buyback process. Administration of the future regulatory structure would also require significant preparatory work.

## 9 LIST OF APPENDICES

| App No. | Page No. | Description   | Page(s) containing ref to appendix |
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| 2       | A - 4    | Taxi and Hire Car Industry Nation Competition Policy Status throughout Australia  | 11                                 |
| 3       | A - 9    | Detail of Plate Owner options, including cost and revenue impact analysis   | 32, 33, 36, 39, 40                 |
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| 5       | A - 14   | Survey response rate - analysis of returned industry survey questionnaires  | 21, 22                             |
| 6       | A - 16   | Response to the options for the reform of the taxi industry   | 5, 6, 7, 8, 22, 23, 24             |
| 7       | A - 18   | Interest in taking up a lease taxi plate following a buyback  | 6, 24, 25                          |
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## **APPENDIX 1 - REGULATION OF THE TAXI INDUSTRY: THE COUNCIL'S APPROACH TO ASSESSING NCP COMPLIANCE WHERE OPEN COMPETITION IS NOT IMMEDIATELY INTRODUCED**

### **Background**

Governments' developing responses to NCP reviews of legislation regulating taxi and similar chauffeured passenger transport services suggest that reform proposals in most cases will involve staged reductions in current restrictions. This approach reflects the size of the current imbalances between demand and supply and the potential for substantial dislocations (and costs to taxpayers and/or consumers) in the event of 'one-off' reform action.

The 2002 assessment report recognised that such approaches may comply with NCP principles if they are shown to address supply imbalances, concluding that for the 2003 assessment:

*Where governments adopt a staged approach to licensing reform rather than immediate deregulation, the Council will look for a high degree of certainty that all stages of the reform will be implemented within a reasonable period. Reforms need to address, in particular, the dynamics of supply and demand, and involve mechanisms that avoid the problems of regulatory capture, inconsistent outcomes for different types of service providers and unpredictability that have historically characterised regulation.*

Immediate deregulation would deliver improved community outcomes more rapidly and reduce opportunities for reversing commitments to future phased reforms. Moreover, previous work by the Secretariat has shown it could be implemented at feasible cost. It is therefore the preferred approach, given that most reviews have found that supply restrictions impose a net cost on the community. Nevertheless, the 2002 assessment envisages that reform programs that lead gradually to the removal of supply restrictions may comply with competition principles, provided they:

- establish at the outset a definitive reform program that will progressively increase the supply of taxis and similar service providers over time and lead to the achievement of an open and competitive chauffeured vehicle industry within a reasonable period;
- put in place, as an initial step, changes that will improve the supply/demand balance in the relevant jurisdiction in the immediate term; and
- establish a mechanism for reviewing the outcomes of the initial steps and a commitment to implement an enhanced reform if the results of the initial steps taken do not meet expectations.

An implication of these principles is that a reform response that complies with NCP principles in one jurisdiction would not necessarily comply in another. Each jurisdiction will need to show that its reforms would address supply/demand dynamics.

Consistent with the above approach, the Council has endorsed the following principles as the basis for the 2003 assessment of whether staged reforms to the taxi and hire car industry are compliant with NCP obligations.

## **Principles for Assessing the Compliance of a Multi-Stage Approach to Reform**

### *New licence releases should improve the relative supply of taxis*

There should be a regular (i.e. at least annual) release of new taxi licences, at a rate that can be expected to improve the availability of taxis in the short and medium term, considered in the light of historical demand trends.

- The release of new licences should be stable and predictable, for example being based on a set formula, rather than being subject to discretion;
- The rate of licence release should also be sufficient to ensure that an open and competitive industry will be achieved within a reasonable period; and
- The program should commence before 30 June 2003, that is, at least the first tranche of licence releases should occur before 30 June 2003.

### *Commitment to regular monitoring and review of outcomes and to additional action if the demand /supply imbalance is not improving*

There should be a commitment to review the effect of reforms on supply/demand regularly (at least every two to three years) following the initial reforms:

- review is essential to determine whether the predicted results of reform are being achieved and to decide appropriate further action should outcomes from the initial package not be meeting expectations;
- review processes should be independent and transparent as pre-requisites for credibility and effectiveness;
- taxi licence value is the main indicator of supply / demand imbalance and therefore of a reform program's success in addressing imbalances:
  - rising licence values indicate there is increasing demand for taxi licences (relative to supply) which is being converted to higher plate values because there are insufficient numbers of licences available; and
  - NCP reviews have demonstrated that community costs (both deadweight losses and transfers from consumers) increase rapidly as licence values rise (Victoria's review found 'efficiency losses grow exponentially as price-cost margins and licence values increase').

There should be a commitment at the outset that there will be further reform if the subsequent reviews show the programmed increases in licence numbers are not delivering sufficient improvement in the supply/demand imbalance:

- further reform should be triggered automatically: for example there might be additional licence releases if certain previously specified benchmarks are not met; and

- downwards movement in taxi licence values should constitute the predominant indicator of improvements in the supply of chauffeured passenger vehicles.

*Immediate reform of the other chauffeured passenger transport sectors to increase competition*

There should be immediate reform of legislation governing other service providers (such as chauffeured hire cars and multi-hire mini-buses) if this has not already occurred. The sector is much smaller than the taxi sector and is generally characterised by substantially lower licence values, indicating rapid removal of restrictions is feasible:

- reform should involve removal of all constraints on operation, other than the restriction on operating in the street hail sector (which is the essential difference between taxis and other service providers); and
- reform should also involve reduction in licence fees and other charges to levels that approximate the administrative costs of licensing.

*Confidence in reform application*

There must be strong commitment that the phased program will proceed, reflecting the 2002 assessment comments that:

*Strategies to 'lock in' reform are ... important to ensure the credibility of multi-stage programs. Such strategies include announcing at the outset the longer-term reform program, making transparent the underlying objectives of the program, setting clear, verifiable performance indicators, and providing scope for monitoring the effectiveness of changes and further development of the program where necessary.*

- Locking in the reforms via legislation would constitute an important indicator of this phased commitment. In the absence of a legislative basis for reform, clear public statements as to the long-term evolution of reform and the specific performance indicators should constitute the minimum requirement.
- In addition, a commitment to public reporting of the outcomes of the regular reviews (see principle 2, above) is needed.

## **APPENDIX 2 - TAXI AND HIRE CAR INDUSTRY - NATIONAL COMPETITION POLICY STATUS THROUGHOUT AUSTRALIA**

By 30 June 2003 all states must submit a response to the National Competition Council (NCC) on the status of NCP reform. The current status of NCP related activities in each state for the taxi and hire car industries is outlined below, where known, for a picture of what the NCC will be evaluating from each State. In some states Cabinet is yet to announce the direction to be taken.

In summary, there appears to have been substantial movement towards NCC aims in a number of states. Victoria, ACT and Northern Territory have all signed off reforms which increase the number of taxis.

Of the remaining states, NSW will be approaching the NCC on the basis of Hire Car industry reforms and previous taxi reforms. Queensland's submission will likely be based on the reforms from their 2000 review and South Australia is likely to remain with the current licensing system although a formal response is still to be provided. In Tasmania, the NCP Review proposed reforms which included increasing taxi numbers but this is still to be considered by Cabinet.

### **Status of Individual States**

#### ***Victoria***

In May 2002 a package of reforms was announced including the following:

- Release of 100 peak period (3pm to 7am) per year for 6 years to be leased for \$3,000 to \$5,000 per year. Licence holders will not be able to sell or lease on these licences. At the end of 6 years half will convert to full licences. The first round of plates are being released now.
- Deregulation of hire car licensing system – purchase price based on average price on open market during 2001.
- Centralised brokerage of licence leasing and sales.
- Accreditation for operators/depots.
- Performance standards to be reported alongside other public transport performance reports and to State Parliament. Improved driver training – customer service and knowledge of Melbourne.
- Taxi fares - Legislation has been changed to allow for the Minister to determine taxi fares following evaluation by Director of Public Transport, and independent assessment by the Essential Services Commission.
- Lifting of restrictions on the provision of route services so that taxis can now provide this regular type of service.
- Release of new regional taxis. This is ongoing as required but leased now whereas used to be granted free and could be sold after 4 years.

- Review of zones and outer metro Melbourne licences.

## **ACT**

The following reforms were announced in December 2002. An assessment of the reforms will be conducted after 2 years.

### Taxi Reform

- An additional 5% of licences are to be auctioned each year subject to a reserve price of 90% of market value. In the first year, market value will be established by an independent valuation (as at Nov 2001) and then by the average sale price from the previous year's auction. The first auction is due early 2003.
- If the average price at auction is more than 95% of the market value an additional 5% of plates will be released (the maximum release for any one year being 10%).
- Net revenue raised from the auction (minus administration costs) will be returned to current licence holders for at least 2 years and possibly up to 5 years. This is to compensate for a drop in the market value of licences due to the increasing numbers of licences released at below market value.
- Accessible taxis - Introduction of a \$7.50 'lift fee' paid by Government to compensate drivers for wheelchair loading and unloading time.
- Progression of removal of cross-border restrictions with NSW.

### Hire Car Industry Reform

- Hire car licences will be released on a similar formula to taxis except that for the first two years 10% of licences will be released. After 2 years this will revert to 5%.
- If average auction price is more than 95% of market value, an additional auction will be undertaken with a maximum of 20% of fleet being released per year.
- Net revenue raised from the auction (minus administration costs) will be returned to current licence holders for at least 2 years and possibly up to 5 years.
- There will be 2 types of hire car licenses – Traditional and Restricted. Restricted will be available for vehicles undertaking only specialist tourist services or wedding and school formals.
- The current 'variation' process that allows Restricted Hire Cars to undertake Traditional Hire Car work will be removed.
- Accreditation will be introduced for operators following consultation.
- Accreditation fees will apply, and the existing licence fee will no longer apply.

## **Northern Territory**

In 1999, Northern Territory deregulated taxi licence number control through a buyback. An unlimited number of licences were made available for an annual fee



(paid quarterly) and the meeting of quality standards. The fee varies for taxi area – Darwin being \$16,000.

A moratorium on licences for taxis, minibuses and private hire cars was implemented in November 2001 while the situation was reviewed. The moratorium was extended from January to the 1st of March and has now been lifted

The review resulted in a number of recommendations due to be go before Cabinet shortly. The reforms include:

- Creation of a Commercial Passenger Vehicles Board to advise the Minister comprising industry, consumer, tourism, disability, Indigenous and regional representatives. (Interim Board already operating).
- Abolishing private hire vehicle licences by refunding the \$10,000 one-off licence fee. These operators may apply for one of the new licence types - limousine, Executive Taxi, Courtesy Vehicle and Special Function (eg Weddings). Executive Taxi and Minibuses will pay the same annual licence fee as a taxi.
- New minibuses will pay the same annual licence fee as taxis but will have the same rights as taxis, ie can accept hails and walk-up fares. Existing licence fees will be increased up to the same level as taxis, phased in over 3 years (currently half of licence fee).
- New entrants (new minibuses, taxis, limousines and executive taxis) must pay an entire year's annual fee upfront, and will then be allowed to pay quarterly.
- The Tariff structure for Executive Taxis and Taxis is to be finalised. Government won't regulate for Minibuses (although tariffs must be fixed within any minibus fleet) or Limousines which are able to pre-negotiate any fare.

### ***Tasmania***

An independent review group completed the NCP review over 2 years ago. Cabinet is expected to make a decision on the matter shortly.

The key recommendations of the NCP Review included:

- Licensing - licences to be made available for sale in each taxi area annually equal to 5% of the total licences in that taxi area. Licences will be sold by tender with the minimum tender price equal to the market value of the existing licences in the area (market value to be assessed every three years). There is also a mechanism for more licences to be released if there is sufficient demand.
- Vehicle age - Retention of maximum age of 8 years but removal of requirement that a vehicle can not be older than 5 years when first put on as a taxi.
- Fares - Provision for the discounting on fares in the rank and hail markets (by display of a sign - not negotiable). Fares to be fully negotiable in the phone booked market.

## ***New South Wales***

NSW advises that there are no new major changes to reforms or proposals for the taxi industry to be advised to the NCC. There is no limit on short term licences priced at 14% of the normal taxi licence purchase cost (prohibitive cost) and no further perpetual licences released. Wheelchair licences continue to be released on application. All operators are required to be accredited. Two minor enhancements are:

- A new complaints management system; and
- Amended performance standards.

The response to the NCC will focus on the reforms to the Hire Car industry. Hire Cars underwent partial deregulation in September 2001. The fee for a Sydney short term licence was halved to \$8,235 in line with the rest of the State. Vehicle standards were revised based on wheelbase requirements, no station-wagons allowed and an additional seat allowed (to 9 seats). There is no regulation of fares (never has been) and there is no limit on the number of short term Hire Car licences available. Hire Cars are still prevented from doing rank and hail work.

Wedding Cars will no longer require a licence, may be any type of vehicle and may also operate for funerals and school formals. Operators must be accredited but may then have unlimited vehicles. Wedding Cars can no longer do other Hire Car work unless they apply for a Hire Car licence.

## ***South Australia***

The hire car market was deregulated in 1991 and is now well established in a competitive market place, with approximately 100 cars competing directly with taxis for pre-booked services. The South Australian government made an election commitment that it would not release any new taxi licences during this term of government (expected to be until 2006). The government is committed to conducting a review of the taxi industry during this period. This review will consider restrictions on the number of taxi licences.

The independent NCP review of the legislation found the current system for taxi licensing in metropolitan Adelaide is acceptable. This has been challenged by the NCC and the South Australian Government and the NCC continue to liaise over ways to address these differences. A formal response on the South Australian position will be released to the NCC for their 2002/2003 Report.

## ***Queensland***

The recommendation from the NCP review was to not introduce deregulation and to introduce a number of reforms to improve the service provision. This included giving taxi companies flexibility to increase (through performance monitoring) and the ability to lease licences instead of having to tender them.

It is likely that the Queensland Government will represent to the NCC that they believe that the taxi industry regulatory structure currently in place, is appropriate. It is also important to note that Queensland has had a regular release of additional taxi plates over previous years. It is likely, however, that the NCC will want to see a greater level of commitment to the release of additional taxi plates than just noting

that plates have been released in the past. This proposal will be going to Cabinet shortly although a number of other options are also included in this submission.

### **Summary**

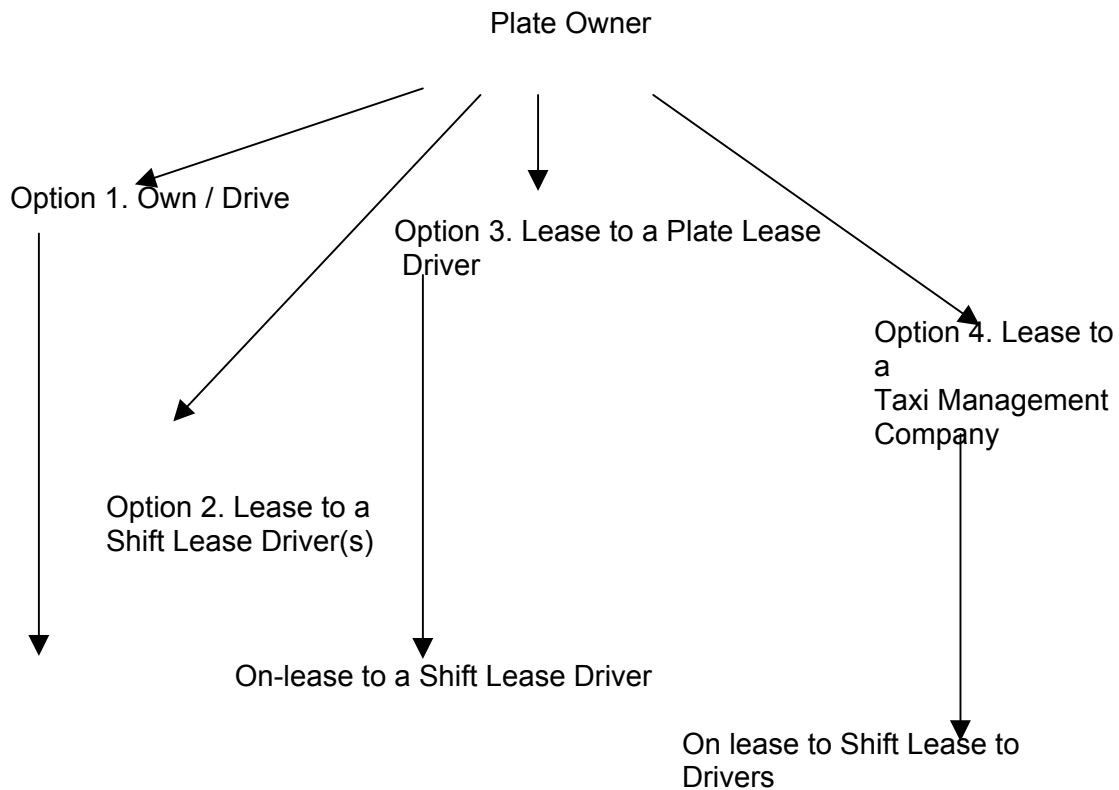
There appears to have been substantial movement towards the NCC requirements in a number of States. Victoria, ACT and Northern Territory have all signed off reforms which will increase the number of taxis.

A summary of what is happening in the various States is noted below:

- Northern Territory has implemented taxi buyback.
- Victoria and ACT have both signed off to reforms that include annual releases of taxi licences.
- Tasmania's NCP Review reforms, including recommendations regarding the release of taxi licences, are expected to be considered by Cabinet shortly.
- New South Wales has partially deregulated the Hire Car industry.
- South Australia and Queensland are likely only to have limited changes to their existing regulatory arrangements.

## APPENDIX 3 - DETAIL OF PLATE OWNER OPTIONS, INCLUDING COST AND REVENUE IMPACT ANALYSIS

### Options Available to a Plate Owner



Option 1 results in the greatest level of involvement in the industry that is for the owner to drive. In order to meet the repayments on the plate it is likely that the plate owner would have to 'double shift' the vehicle. That is, find another driver to drive the times either the day or night shifts.

Option 2 is to put a vehicle on and lease the vehicle to a shift lease driver. Again, it is likely that in order to get the best return from the taxi plate the owner would double shift the taxi.

Option 3 is to lease the plate out to a driver who is then responsible for putting a vehicle on and finding another driver in order to shift lease the vehicle.

Option 4 involves handing the plate over to a management company which will then be responsible for paying the plate owner a return but also putting on a vehicle and finding drivers for that vehicle.

**Table 1 - The four options - Who pays what costs and who receives what revenues**

|                     | Option 1  | Option 2   | Option 3  | Option 4  |
|---------------------|---|--|---|---|
| Owner               | <b>COSTS:</b> Pays vehicle costs; vehicle maintenance; rank fees to TDS; petrol costs when driving. Meets interest costs on capital costs of plate.<br><b>REVENUES:</b> shift lease rates from second driver and fares when driving | <b>COSTS:</b> Pays vehicle costs; vehicle maintenance; rank fees to TDS; Meets interest costs on capital costs of plate.<br><b>REVENUES:</b> shift lease rates from two drivers assuming that the vehicle is double shifted. | <b>COSTS:</b> Meets interest costs on capital costs of plate.<br><b>REVENUES:</b> Plate Lease fees from Plate Lease Driver  | <b>COSTS:</b> Meets interest costs on capital costs of plate.<br><b>REVENUES:</b> Plate Lease fees from Management Company  |
| Management Company  | Not applicable to this option   | Not applicable to this option  | Not applicable to this option   | <b>COSTS:</b> Pays vehicle costs; vehicle maintenance; rank fees to TDS;<br><b>REVENUES:</b> shift lease rates from drivers |
| Plate Lease Drivers | Not applicable to this option   | Not applicable to this option  | <b>COSTS:</b> Pays vehicle costs; vehicle maintenance; rank fees to TDS; petrol costs when driving.<br><b>REVENUES:</b> shift lease rates from second driver and fares when driving | Not applicable to this option   |
| Shift Lease Drivers | <b>COSTS:</b> shift lease fees and petrol costs<br><b>REVENUES:</b> Fares from passengers   | <b>COSTS:</b> shift lease fees and petrol costs<br><b>REVENUES:</b> Fares from passengers  | <b>COSTS:</b> shift lease fees and petrol costs<br><b>REVENUES:</b> Fares from passengers   | <b>COSTS:</b> shift lease fees and petrol costs<br><b>REVENUES:</b> Fares from passengers                                   |

There is no revenue sharing between the taxi driver and the person that is leasing the taxi owner the plate. Where the taxi driver has a poor shift – that is the number of fares that the driver collects is low, the driver bears all the impact of the low returns. This is equally true in the circumstance where there are very good returns on a particular night. The above average number of fares results in a high return to drivers.

## **APPENDIX 4 - SUMMARY OF THE OUTCOMES FROM THE TAXI FORUM**

- 1. If Government were to proceed with purchasing taxi plates at a price (buyback), how should a fair price be determined? What should the government offer?**
  - Different prices should be paid for the different types of plates (MPT, Peak Period, Area Restricted, Non Transferable, Country).  
No payment to non transferable plates.
  - Buyback amount should be greater than market value or at the cost of acquisition of plate (+ stamp duty, + transfer fee, + index for inflation).
  
- 2. If Government were to proceed with purchasing taxi plates, then after buyback, how should we regulate to cap licences, who gets priority, what types etc?**
  - Additional licences should only be issued when service performance falls below required standards, taking into account industry viability, and only with the agreement from the industry's Peak Body.
  - Priority for the issue of licences should be given to those already in industry
  - Priority for the issue of licences should be given to licenced drivers.
  - Taxi Management Companies should get priority on the issuing of taxi licences if there is not a full take up from drivers etc, with a limit on number.
  
- 3. If Government does not proceed with purchasing taxi plates (buyback), what ways could greater competition, customer service, and driver returns be achieved?**
  - Taxi fare increases to be linked to the CPI. (If linked to PMI, distribute specific fact sheet of taxi costs).
  - Broaden the eligibility criteria for membership of the Taxi Users Subsidy Scheme.
  - More Taxi Dispatch Service's, but all jobs to overflow between TDS's.
  - The Government should increase the maximum subsidy paid under the TUSS.
  
- 4. How could Government address other passenger transport industries encroaching on 'taxi industry' business?**
  - Stricter controls (more inspectors) and stronger penalties should be introduced to identify and stop illegal operators.
  - There should be a level playing field for taxis / Small Charter Vehicle's / Private Taxis / Tour Coaches.
  - The DPI should use entrapment strategies to catch SCV operators not complying with regulations.
  
- 5. How could Driver/Owner/User/Taxi Dispatch Service disputes best be handled?**
  - Arbitrator selected by driver referendum.
  - By personal negotiation in the first instance. Otherwise through an advocate.
  - Introduce a Taxi Industry Ombudsman (Government Funded).
  
- 6. How could Government achieve and sustain the most appropriate taxi driver entry standards?**
  - By consulting with the industry.

- By requiring taxi drivers to have English skills – reading, writing, understanding, speaking.
- By requiring a high level local area knowledge.
- By accrediting more training providers.
- Need to attract people with the right temperament and attitude.

**7. How could Government achieve and sustain the highest standard of taxi industry customer service?**

- Compulsory English speaking standards for taxi drivers.
- The taxi industry to have an independent disputes tribunal by an election of industry members & with a right to appeal.

**8. How could taxi industry viability be improved?**

- Level the playing field between Small Charter Vehicle's, TC plates in the context of taxis.
- Greater flexibility in the costings of licensing and insurance.
- By implementing a Government funded campaign to raise public awareness of taxi service.
- Taxi Dispatch Service to advertise (promote).
- Government to provide a discount on LPG and it's installation.

**9. How could Government achieve and sustain the highest standard in service to the outer areas?**

- The Government should not rely so much on taxis to provide public transport in outer areas.
- Taxi Dispatch Services should better co-ordinate other work in the area.
- There needs to be a co-ordinated communication system between all forms of transport, eg. transport terminals – air, rail, taxis.

**10. How could Government achieve and sustain the highest standard in service in the peak periods? (If additional peak periods – what are solutions/compensation for transferable plates and MPT plates)**

- Government to increase the hours of public transport (buses, trains) during peak periods and to integrate the public transport communications systems with taxis.
- Increase communication between Taxi Dispatch Services and Drivers, particularly in relation to the destination of taxi hirings.

**11. How could taxi driver & owners incomes be improved? (noting costs)**

- By lower insurance costs.
- By the demand for taxis being increased.
- By being able to reduce costs as a result of good driving practices.
- By an increase in advertising of taxi services.
- By the introduction of a subsidy for environmentally friendly fuel (eg gas).
- By the public being better educated about taxi services.

**12. How could Government achieve and sustain the highest standard in servicing people with disabilities?**

- Offer incentives for owners to invest in wheelchair access taxis and increased enforcement for the wheelchair taxis to do wheelchair work.
- By taxi training schools emphasising that people with disabilities must have transport preference.
- Increase the level of subsidy paid by the Taxi Users Subsidy Scheme.

- Improve the Taxi Users Subsidy Scheme to an electronic system or preprint member details on the current vouchers.
- Driver training on servicing people with disabilities should be improved.

**13. How could additional release of taxi plates be determined – how many and what type? (And what price, to whom, what time limit?)**

- Additional taxi plates should be released to licenced taxi operators or drivers only.
- Additional taxi plates to be issued with conditions – eg. MPTs, Area Restricted, Peak Period.

**14. What issues need to be considered in getting a review group to move ahead with the outcomes of this Forum?**

- Who's on the review committee? Needs to include a full cross section of all stakeholders.
- A time frame needs to be established.
- The Group needs to provide regular, open and transparent feedback to industry.



## APPENDIX 5 - ANALYSIS OF RETURNED INDUSTRY SURVEY QUESTIONNAIRES

The following table provides summarises the number of people and organisations that received and returned a questionnaire by population group.

**Table 2 - Number of questionnaires returned by population group**

|                         | Total Population | Questionnaires Returned <sup>1</sup> | Response Rate (%) | Weighted Questionnaires Returned <sup>2</sup> | Weighted Response Rate (%) |
|-------------------------|------------------|--------------------------------------|-------------------|---|----------------------------|
| Taxi Plate Owner        | 460              | 202                                  | 44                | 151   | 12.5                       |
| Taxi Plate Owner-Driver | 483              | 297                                  | 62                | 158   | 13.2                       |
| Taxi Driver             | 2712             | 694                                  | 26                | 887   | 74.0                       |
| Management Company      | 7                | 4                                    | 57                | 2   | 0.2                        |
| Taxi Dispatch Service   | 5                | 3                                    | 60                | 2   | 0.2                        |
| Totals                  | 3667             | 1200                                 | 33                | 1200  | 100.0                      |

<sup>1</sup> There were a further 58 questionnaires returned that were either incomplete or invalid. This increased the overall response to 1269 or 34.44%.

<sup>2</sup> The weighted figures take the actual number of returned questionnaires and adjusts it to align with the size of each respondent group in the total population of respondents who were sent a questionnaire.

The use of weighting has no effect on any result that compares responses within each of the population groups (owner, owner-driver, driver etc) but does have an effect on results that compare responses across population groups. The results of the survey are reported with weighting applied to the responses to ensure that the responses are representative of the different population groups within the Perth taxi industry.

### ANALYSIS OF DRIVER TYPES

The taxi driver population can be further broken down into plate lease drivers and shift lease driver. Of the drivers who nominated themselves as either shift lease or plate lease drivers 18% nominated themselves as plate lease drivers and 82% nominated themselves as shift lease drivers.

### ANALYSIS OF OWNER RESPONSES BY TYPE OF PLATE OWNED

The taxi plate owners were asked to nominate the type(s) and number of taxi plates that they own. The majority of taxi plate owners reported owning only one taxi plate (82%) with a further 13% of owners having two plates and the remaining 5% having 3 to 5 plates.

It is noted that the overall response rate across all taxi plate owners was 55%. There is some variability of response rate across the different types of taxi plates. The table below details the number of valid responses received from taxi plate owners and owner-drivers of each type of taxi plate.

**Table 3 - Taxi plate owner response levels by taxi plate type owned**

| Plate Type                          | Valid Responses | Total Population <sup>1</sup> | Response Rate (%) | Total Population (%)<br><sub>2</sub> |
|-------------------------------------|-----------------|-------------------------------|-------------------|--------------------------------------|
| Conventional                        | 414             | 784                           | 53.63             | 79.77                                |
| Area Restricted                     | 5               | 8                             | 62.50             | 0.96                                 |
| Peak Period<br>(fully transferable) | 22              | 39                            | 57.89             | 4.24                                 |
| Peak Period<br>(3-year restricted)  | 14              | 22                            | 63.64             | 2.70                                 |
| Peak Period<br>(non-transferable)   | 17              | 30                            | 56.67             | 3.28                                 |
| MPT<br>(fully transferable)         | 25              | 38                            | 65.79             | 4.82                                 |
| MPT<br>(3-year restricted)          | 7               | 13                            | 70.00             | 1.35                                 |
| MPT<br>(non-transferable)           | 15              | 21                            | 71.43             | 2.89                                 |
| Totals                              | 519             | 955                           | 55.27             | 100.00                               |

<sup>1</sup>Some ownership entities nominated themselves as owning more than one type of taxi plate. As a result of this, the total count of the population is greater than the 926 registered taxi plate ownership entities in the taxi plate ownership database.

<sup>2</sup>Each type of taxi plate expressed as a % of the total population of taxi plates.

## APPENDIX 6 - RESPONSE TO THE OPTIONS FOR THE REFORM OF THE TAXI INDUSTRY

The survey respondents were asked three questions relating to the reform of the taxi industry. The response to each of these questions is presented in the following sections.

### BUYBACK VALUES FOR TAXI PLATES

The first question asked the respondents to nominate an amount that they considered a fair price for each type of taxi plate. The following table provides a summary level view of the average amount nominated by each population group.

**Table 5 – Fair prices nominated by each population group**

| (All values are in \$) |         | Taxi Driver | Plate Owner # | Plate Owner-driver # | All Owners | Industry Total |
|------------------------|---------|-------------|---------------|----------------------|------------|----------------|
| Conventional           | Average | 173,015     | 240,973       | 250,027              | 240,947    | 191,713        |
| Area Restricted        | Average | 74,570      | 151,136       | 151,136              | 144,369    | 89,955         |
| MPT (FT)               | Average | 103,767     | 190,500       | 185,667              | 170,907    | 119,797        |
| MPT (3-year)           | Average | 63,763      | 167,857       | 167,857              | 152,881    | 82,911         |
| MPT (NT)               | Average | 23,962      | 45,250        | 45,250               | 35,555     | 25,300         |
| Peak Period (FT)       | Average | 26,722      | 65,500        | 66,063               | 60,627     | 34,296         |
| Peak Period (3-year)   | Average | 19,032      | 63,636        | 63,636               | 53,678     | 26,166         |
| Peak Period (NT)       | Average | 7,665       | 32,000        | 32,000               | 18,928     | 9,142          |

# These are the owners of each type of taxi plate

There is a clear distinction between the amounts nominated by the taxi plate owners and the taxi drivers. The taxi drivers have nominated amounts that are approximately 20 – 70% of the amounts nominated by the taxi plate owners. The amounts nominated by the plate owners and the plate owner-drivers who own each type of taxi plate are broadly in line with each other.

In all cases where a comparison is possible, the average amounts nominated by the owners of each type of taxi plate is higher than the amount nominated by all owners.

### RESPONSES TO TAXI INDUSTRY REFORM OPTIONS

The respondents were asked to rate seven options related to the reform of the taxi industry. In addition, the respondents were asked to select the single option that they most preferred. The following table provides an overview of the responses at an industry level.

**Table 7 – Industry support for options for the future of the taxi industry**

| Industry support (%)                                   | Industry Total | All Owners | All Drivers | TDS & MC* |
|--|----------------|------------|-------------|-----------|
| No buyback, new plates sold by tender                  | 38             | 61         | 31          | 15        |
| Compulsory buyback of all taxi plates                  | 21             | 13         | 23          | 71        |
| Voluntary buyback of all taxi plates                   | 14             | 11         | 15          | -         |
| No buyback, new plates issued by licence               | 13             | 7          | 15          | -         |
| Compulsory buyback of restricted taxi plates only      | 3              | 3          | 2           | -         |
| Voluntary buyback of restricted taxi plates only       | 2              | 3          | 2           | -         |
| Compulsory buyback of all taxi plates and deregulation | 9              | 2          | 11          | 14        |

\* TDS - Taxi Dispatch Service and MC – Taxi Management Company

Industry support for a taxi plate buyback, on either a voluntary or compulsory basis, is 49%. There are significant differences in the support for a buyback between taxi plate owners and taxi drivers, particularly plate lease drivers. The taxi plate owners are strongly opposed to a buyback (68%) whereas drivers support a buyback (54%). Looking at the drivers in more detail reveals that plate lease drivers strongly support a buyback (63%) and shift lease drivers marginally support a buyback (51%). The taxi management companies and taxi dispatch services strongly support a buyback (75% and 67% respectively) although this is based on 4 and 3 responses respectively.

Among the five options for buyback a compulsory buyback of all taxi plates (without de-regulation) is the most preferred option with 21% support followed by a voluntary buyback of all taxi plates with 14% support. There is relatively low overall support (16%) for the two options addressing partial buyback of restricted taxi plates.

The industry strongly opposes a buyback of all taxi plates with deregulation with 70% opposing the option.

## APPENDIX 7 - INTEREST IN TAKING UP A LEASE TAXI PLATE FOLLOWING A BUYBACK

The respondents were asked to express their interest in taking up a lease plate from the Government if a plate buyback were to take place.

The level of interest in taking up a lease plate across the industry is 47% in a compulsory buyback situation and 43% in a voluntary buyback situation. The following table provides an overview of the interest expressed by each of the population groups.

**Table 4 - Interest in taking up a lease taxi plate**

|                           |                                    | Plate Owner | Plate Owner -Driver | Taxi Driver Plate Lease | Taxi Driver Shift Lease | Management Company | Taxi Dispatch Service | Total |
|---------------------------|------------------------------------|-------------|---------------------|-------------------------|-------------------------|--------------------|-----------------------|-------|
| <b>Compulsory Buyback</b> | <b>Would take up a licence (%)</b> | 11.1        | 38.0                | 87.1                    | 48.2                    | 75.0               | 100.0                 | 47.1  |
| <b>Voluntary Buyback</b>  | <b>Would take up a licence (%)</b> | 14.3        | 40.7                | 83.3                    | 41.7                    | 66.7               | 100.0                 | 42.7  |

Note: Would take up a licence is the amalgamation of the “would definitely take up a licence” and “would probably take up a licence” options on the questionnaire.

Owners show the greatest resistance to taking up a licence in the event of a buyback. Overall 89% of owners and 59% of owner-drivers would not take up a licence if the buyback was compulsory. In the event of a compulsory buyback the potential level of take up among plate lease drivers is very high (87%) and among shift lease drivers moderate (48%).

Taking up a licence under a voluntary buyback is less attractive to the industry as a whole. The percentage of drivers, both plate and shift lease, who would take up a licence under a voluntary buyback falls to 41% (compared to 48% under a compulsory buyback).

Taxi dispatch services are more open to taking up a licence than the taxi management companies. The key reason for opposition to taking up a licence cited by the taxi management companies is concern over the level of government interference in the industry.

The table below provides data on the average amount each population group is prepared to pay to lease a plate per month.

**Table 5 - Average amounts nominated for monthly lease**

|                                       | <b>Plate Owner</b> | <b>Plate Owner-Driver</b> | <b>Taxi Driver Plate Lease</b> | <b>Taxi Driver Shift Lease</b> | <b>Taxi Dispatch Service</b> | <b>Management Company</b> | <b>Industry Total</b> |
|---------------------------------------|--------------------|---------------------------|--------------------------------|--------------------------------|------------------------------|---------------------------|-----------------------|
| Average Amount (\$)                   | 1143.68            | 857.00                    | 818.94                         | 817.33                         | 1058.33                      | 661.00                    | 831.35                |
| Average Weekly Equivalent Amount (\$) | 285.75             | 214.25                    | 214.50                         | 204.25                         | 264.50                       | 165.25                    | 207.84                |

The overall average nominated by the industry is \$831.35 per month or \$207.84 per week. It is interesting to note that the owners and owner-drivers nominated higher amounts than the drivers. The owners nominated the highest amount, \$285.75 per week, and the taxi dispatch companies nominated the lowest amount at \$165.25 per week.

The preferred payment period nominated by all population groups was monthly.

The preferred average lifetime of a taxi licence nominated by the industry was for an indefinite period. However drivers were more open to shorter lease periods with some support for 5 and 10 year leases.

## APPENDIX 8 - SUPPORT FOR CUSTOMER SERVICE IMPROVEMENT OPTIONS

### THE INDUSTRY VIEW

The survey included a total of ten options that could improve the service delivered to the customer. These options were also included in the consumer survey. The table below summarises the support received for each option.

**Table 6 - Summary of support for improving customer service options**

|  |     |
|--|-----|
| Continue to have restricted type plates as a means of addressing particular areas of demand  | 66% |
| Increase the number of peak period taxis (i.e. those that operate on Friday and Saturday night)  | 19% |
| Provide customers with an option for a higher priced fare for guaranteed service during the peak period  | 39% |
| Provide customers with an option for a fixed price fare so that they will know what they are going to pay prior to the trip  | 30% |
| Increase the number of area restricted taxis (i.e. those that operate in the outer suburbs only)   | 37% |
| Increase the number of multi-purpose taxis   | 21% |
| Increase the flagfall for taxi trips that originate in the outer suburbs   | 43% |
| Introduce a minimum total fare (including flagfall) for trips that originate in the outer suburbs. The passenger pays the minimum fare or the metered fare, whichever is the greater | 52% |
| Introduce a telephone booking fee for taxi trips that originate in the outer suburbs. The taxi driver collects the booking fee along with the fare                                   | 47% |
| Taxi dispatch services to be responsible for directing taxis in order to meet demand, particularly in the outer suburbs  | 44% |

Note: The % support comprises the sum of the “strongly support” and “mildly support” ratings for each option.

Any proposal to increase the number of taxis operating to improve service levels received low levels of support. However, there is strong support for retaining different types of taxi plate to address particular demand types.

There was some support for fare based initiatives to improve service in the outer suburbs with particular support for the introduction of a minimum fare for trips originating in the outer suburbs.

Making taxi dispatch services responsible for directing taxis to meet demand in the outer suburbs received some support across the owner and driver population groups and 100% support from the taxi dispatch services themselves.

The table overleaf provides a more detailed breakdown of the rating of each of the customer service improvement options by industry.

**Table 7 - Detailed breakdown of support for improving customer service options**

|                        | <b>Continue to have restricted type plates as a means of addressing particular areas of demand</b> | <b>Increase the number of peak period taxis (i.e. those that operate on Friday and Saturday night)</b> | <b>Provide customers with an option for a higher priced fare for guaranteed service during the peak period</b>  | <b>Provide customers with an option for a fixed price fare so that they will know what they are going to pay prior to the trip</b>                        | <b>Increase the number of area restricted taxis (i.e. those that operate in the outer suburbs only)</b>                        |
|------------------------|--|--|---|---|--|
| Owners                 | 72.4%  | 28.3%  | 42.1%   | 30.2%   | 35.2%  |
| Drivers                | 63.4%  | 16.5%  | 37.9%   | 30.2%   | 37.6%  |
| Management Companies   | 66.7%  | 33.3%  | 66.7%   | 66.7%   | 33.3%  |
| Taxi dispatch services | 33.3%  | 33.3%  | 100.0%  | 100.0%  | 0.0%   |
| Total                  | 65.6%  | 19.3%  | 39.1%   | 30.3%   | 36.8%  |
|                        | <b>Increase the number of multi-purpose taxis</b>  | <b>Increase the flagfall for taxi trips that originate in the outer suburbs</b>                        | <b>Introduce a minimum total fare (including flagfall) for trips that originate in the outer suburbs. The passenger pays the minimum fare or the metered fare, whichever is the greater</b> | <b>Introduce a telephone booking fee for taxi trips that originate in the outer suburbs. The taxi driver collects the booking fee along with the fare</b> | <b>Taxi dispatch services to be responsible for directing taxis in order to meet demand, particularly in the outer suburbs</b> |
| Owners                 | 18.3%  | 43.9%  | 49.4%   | 49.3%   | 43.8%  |
| Drivers                | 21.3%  | 43.5%  | 52.2%   | 46.6%   | 43.6%  |
| Management Companies   | 0.0%   | 33.3%  | 66.7%   | 66.7%   | 66.7%  |
| Taxi dispatch services | 33.3%  | 33.3%  | 66.7%   | 100.0%  | 100.0%   |
| Total                  | 20.5%  | 43.5%  | 51.7%   | 37.2%   | 43.9%  |



## THE CONSUMERS VIEW

Completed questionnaires were received from 11 of the 18 consumer representatives who received a questionnaire, a response rate of 61.1%. While there are a relatively small number of respondents, and therefore care should be taken in interpreting the results, the respondents constitute a sample of representative consumer groups.

The consumer respondents were asked to rate the same 10 options for improving customer service that were put to the taxi industry. Each option was rated on a 5-point scale from “definitely wouldn’t improve customer service” (1) to “definitely would improve customer service” (5). The table below details the support for each option and compares this with the support for the same options from the taxi industry.

**Table 8 - Support for improving customer service options**

|  | Consumers (%) | Taxi Industry (%) | Difference (%) |
|--|---------------|-------------------|----------------|
| Continue to have restricted type plates as a means of addressing particular areas of demand  | 82            | 66                | 16             |
| Increase the number of peak period taxis (i.e. those that operate on Friday and Saturday night)  | 82            | 19                | 63             |
| Provide customers with an option for a higher priced fare for guaranteed service during the peak period  | 36            | 39                | -3             |
| Provide customers with an option for a fixed price fare so that they will know what they are going to pay prior to the trip  | 82            | 30                | 52             |
| Increase the number of area restricted taxis (i.e. those that operate in the outer suburbs only)   | 64            | 37                | 27             |
| Increase the number of multi-purpose taxis   | 80            | 21                | 59             |
| Increase the flagfall for taxi trips that originate in the outer suburbs   | 11            | 43                | -32            |
| Introduce a minimum total fare (including flagfall) for trips that originate in the outer suburbs. The passenger pays the minimum fare or the metered fare, whichever is the greater | 36            | 52                | -16            |
| Introduce a telephone booking fee for taxi trips that originate in the outer suburbs. The taxi driver collects the booking fee along with the fare                                   | 30            | 47                | -17            |
| Taxi dispatch services to be responsible for directing taxis in order to meet demand, particularly in the outer suburbs  | 60            | 44                | 16             |

Note: The % support comprises the sum of the “strongly support” and “mildly support” ratings for each option.

Consumer representatives strongly favour the retention of restricted taxi plate types and an increase in the number of peak period, multi-purpose and area restricted taxis.

With regard to fares, the consumer representatives do not favour any of the options that would increase fares but do support the introduction of a fixed price fare structure.

In summary the survey results only serve to highlight the conflicts that are known to exist between the interests of the consumer and the interests of the taxi industry.

#### **ADDITIONAL SUGGESTIONS FOR IMPROVING CUSTOMER SERVICE**

The consumer representatives were provided with an opportunity to nominate up to 3 suggestions for improving customer service. The main themes that were nominated by the respondents were:

1. Improving driver attitudes, knowledge, appearance and levels of customer service;
2. Increasing the number of taxis/plates;
3. Increasing the availability of taxis; and
4. Improving multipurpose taxis, particularly vehicle standards.

## APPENDIX 9 - SUPPORT FOR DRIVER INCOME IMPROVEMENT OPTIONS

Five options for improving driver incomes were put to the respondents. The improvement could be realised by reducing the cost to the driver or increasing incomes from fares. The summary results are presented in the table below.

**Table 9 - Summary of support for improving driver incomes options**

|   | <b>Taxi plate owners and owner-drivers</b> | <b>Taxi drivers</b> |
|---|--|---------------------|
| <b>Reduce current lease rates</b>   | 12   | 75                  |
| <b>Set maximum lease rates at current market average and freeze for 2 years, then review annually</b>   | 44   | 58                  |
| <b>Offer additional licences at a lease rate lower than current taxi plates lease rates</b>   | 6  | 33                  |
| <b>Introduce a minimum total fare (including flagfall) for all taxi trips. The passenger pays the metered fare or the minimum fare, whichever is the greater</b>          | 48   | 53                  |
| <b>Introduce a telephone booking fee for all taxi trips that are booked through a taxi dispatch service. The taxi driver collects the booking fee along with the fare</b> | 51   | 45                  |

A more detailed breakdown of the results for each of the population groups is presented in the table below.

**Table 10 - Detailed breakdown of support for improving driver income options among owners and drivers**

| Support for improving driver income options (%) | <b>Reduce current lease rates</b> | <b>Set maximum lease rates at current market average and freeze for 2 years, then review annually</b> | <b>Offer additional licences at a lease rate lower than current taxi plates lease rates</b> | <b>Introduce a minimum total fare (including flagfall) for all taxi trips. The passenger pays the metered fare or the minimum fare, whichever is the greater</b> | <b>Introduce a telephone booking fee for all taxi trips that are booked through a taxi dispatch service. The taxi driver collects the booking fee along with the fare</b> |
|---|-----------------------------------|---|---|--|---|
| Owners  | 5                                 | 42  | 3   | 46   | 52  |
| Owner-Drivers                                   | 18                                | 46  | 9   | 51   | 50  |
| Drivers – Plate Lease                           | 80                                | 51  | 38  | 61   | 45  |
| Drivers – Shift Lease                           | 74                                | 60  | 32  | 51   | 45  |
| Management Companies                            | 0                                 | 25  | 0   | 50   | 75  |
| Taxi Dispatch Services                          | 100                               | 33  | 100   | 33   | 100   |
| Overall Industry                                | 59                                | 54  | 27  | 52   | 47  |

In interpreting the total results, it is important to note that the number of drivers responding to the survey was approximately 3 times higher than the number of owners (on a weighted basis). Drivers strongly favour the two options that involve reducing lease rates or re-setting the maximum lease rate and freezing for 2 years. The latter option does receive some support from owners. Neither owners nor drivers favour the option of having additional lease plates released at rates lower than current taxi lease rates.

Both of the options addressing fares receive some support from owners and drivers with the introduction of a telephone booking fee being favoured most by owners and the introduction of a guaranteed minimum fare being favoured most by drivers.

## APPENDIX 10 - CURRENT COST OF LEASING A TAXI OR TAXI PLATE

### DRIVERS LEASING TO OTHER DRIVERS

Approximately 23% of owner-drivers and 27% of plate lease drivers reported that they do not lease their taxis to another driver.

### WEEKLY CONVENTIONAL TAXI PLATE LEASES

Owners were asked questions about leasing their taxi plate to other drivers on a weekly basis. Also plate lease drivers were asked how much they pay owners for their weekly plate lease. Specific steps were taken to ensure that the average amount calculated only included valid responses for conventional taxi plates.

**Table 11 - The cost of leasing conventional taxi plates per week**

|                                    | <b>Plate Owner and Plate Owner-Drivers</b> | <b>Taxi Driver Plate Lease</b> |
|------------------------------------|--|--------------------------------|
| Average weekly plate lease charged | 340.37                                     | N/A                            |
| Average weekly plate lease paid    | N/A  | 346.16                         |

In calculating the average values the data was processed to remove all amounts less than \$250 per week and greater than \$453 per week in order to focus on costs for a conventional taxi plate.

The average amount charged for a weekly plate lease by the owners for a conventional taxi plate is very close to the amount nominated by the plate lease driver. The median figure of the two amounts nominated estimates the average weekly plate lease for a conventional taxi at \$343.27. It is significant that the amounts nominated for a taxi plate lease are approximately 76% of the current maximum regulated lease rate of \$453 per week.

### CURRENT TAXI SHIFT LEASE COSTS

Owners, owner-drivers and plate lease drivers were asked questions about leasing their taxi to another driver on a shift lease basis. Also shift lease drivers were asked how much they pay for leasing their taxi per shift. Among the owner groups, 68% of owners and 41% of owner-drivers reported that they lease their taxi to another driver on a shift basis.

In reporting average amounts per shift the shifts were grouped into weekday and weekend shifts to reflect the industry practice of charging more for shift leases on Friday and Saturday nights compared to the rest of the week. The responses are detailed in the table overleaf.

**Table 12 - The cost of leasing a taxi on a shift basis**

|  | <b>Plate Owner</b> | <b>Plate Owner-Driver</b> | <b>Taxi Driver Plate Lease</b> | <b>Taxi Driver Shift Lease</b> | <b>Management Company</b> |
|--|--------------------|---------------------------|--------------------------------|--------------------------------|---------------------------|
| Average charge to shift lease – weekday (\$/shift)               | 63.26              | 64.36                     | 63.75                          | N/A                            | 67.50                     |
| Average charge to shift lease – weekend (\$/shift)               | 82.50              | 83.40                     | 83.46                          | N/A                            | 92.00                     |
| Average cost to shift lease – weekday (\$/shift)                 | N/A                | N/A                       | N/A                            | 66.83                          | N/A                       |
| Average cost to shift lease – weekend (\$/shift for dayshifts)   | N/A                | N/A                       | N/A                            | 67.53                          | N/A                       |
| Average cost to shift lease – weekend (\$/shift for nightshifts) | N/A                | N/A                       | N/A                            | 93.20                          | N/A                       |

The amounts nominated by the shift lease drivers are close to those nominated by the owners and plate lease drivers within an acceptable level of statistical error.

The regulated maximum shift lease rates for a 12-hour shift are \$67.50 per shift for all shifts other than Friday and Saturday nights and \$94 per shift for Friday and Saturday nights. It is significant that the amounts nominated by the shift lease drivers for all shifts is very close to the regulated maximum values, i.e. within 1%.

**OTHER TAXI LEASING ARRANGEMENTS**

Owners, owner-drivers and plate lease drivers were asked questions about leasing their taxi to another driver on a basis other than shift leasing. Also taxi drivers were asked how much they pay to lease a taxi on a basis other than plate or shift leasing. In these situations it is usual for a taxi driver to pay a fixed amount for a set number of shifts each week. The following table sets out the equivalent amounts that are charged/paid per shift.

**Table 13 - The weekly cost of leasing a taxi other than on a shift or plate lease basis**

|   | <b>Plate Owners</b> | <b>Plate Owner-Driver</b> | <b>Taxi Driver - Plate Lease</b> | <b>Taxi Driver – Plate Lease*</b> | <b>Taxi Driver – Shift Lease</b> |
|---|---------------------|---------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Average charge to lease a taxi (\$/shift)       | 32.30               | 50.86                     | 57.89                            | N/A                               | N/A                              |
| Average number of shifts the taxi is leased for | 10                  | 7                         | 6                                | N/A                               | N/A                              |
| Average amount paid to lease a taxi (\$/shift)  | N/A                 | N/A                       | N/A                              | 38.14                             | 59.34                            |
| Average number of shifts the taxi is leased for | N/A                 | N/A                       | N/A                              | 8                                 | 7                                |

\* The plate lease driver nominations were included for those drivers who nominated themselves as plate lease drivers but completed the questions related to other leasing arrangements.

In calculating the average values the data was processed to remove all amounts less than \$150 per week in order to focus on costs for a conventional taxi.

It can be seen that the average amount charged per shift varies widely between the owners and plate lease drivers with the latter charging the highest amount. The lowest average charge is from the taxi owner who is leasing the taxi for 10 shifts (i.e. a full week) for half of the equivalent cost per shift for a weekday shift.

The amounts paid by the drivers vary widely with the shift lease driver paying the higher amount. There is a strong correlation between the amounts paid by the shift lease drivers and the amounts charged by owner drivers and plate lease drivers (who are more likely to lease their taxi to another driver). The data shows that there are some savings to the driver in taking a weekly taxi lease compared to shift leasing but the savings are relatively modest.