

Secretariat
Regulation of Point to Point Transport
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SUBMISSION: POINT TO POINT TRANSPORT TASKFORCE DISCUSSION PAPER

The Tourism & Transport Forum Australia (TTF) welcomes the opportunity to make a submission to the discussion paper released by the Point to Point Taskforce.

TTF is a national, member-funded CEO forum, advocating the public policy interests of leading corporations and institutions in the Australian tourism, transport and aviation sectors. In transport, TTF is a leading advocate for greater investment in and access to convenient, reliable, efficient and sustainable transport choices.

Introduction

The quick pace of technological change has seen a dramatic shift in the provision of goods and services in the economy. These so-called 'disruptors' have placed enormous pressure on traditional operators and regulators, whose legislative frameworks predate the arrival and business models of new players in affected sectors.

The most recent manifestation of this innovation is in the 'sharing economy', where individuals are given the opportunity to monetise their otherwise under-utilised and unproductive capital assets. This has been most prominent in the visitor accommodation and 'rideshare' sectors, where platforms like Airbnb and Uber have become large players in their respective industries in a short period of time.

Traditional operators have to meet the cost burden of the highly-regulated environments in which they operate. They now have to compete against unregulated operators who deliver an essentially identical service with a far smaller operating cost base.

Many consumers clearly enjoy the convenience, ease of use and affordability of the sharing economy. Traditional operators in disrupted sectors are now trying to adapt their own service offerings to make them more appealing to consumers.

The challenge for regulators, however, is to ensure that their framework is responsive, flexible and provides a level playing field. The sharing economy is likely to transition from disruptor to mainstream operator. It is imperative that appropriate levels of regulation accompany this transition to ensure adequate levels of consumer and community amenity are delivered.

Taxis as public transport

Taxis are a key component of public transport services in NSW. They work within the existing transport network and complement other public transport services such as rail and bus.

Taxis provide transport for both commuters and tourists and are particularly important in providing services for people with disabilities and the elderly. Taxis provide alternative forms of transport for people in regional areas, as well as services late at night and in the early morning when other modes of transport are not available. A number of other users such as businesses, tourists and people without cars rely on taxis as a backup or when transport disruptions occur.

Taxis are part of the public transport network and TTF recognises that there is a valid rationale behind regulations governing universal service provisions, the safety and security of customers and drivers and the availability of appropriate services for people with a disability.

Taxis can also be an iconic part of a city's transport network that, through their branding, can become synonymous with a destination. When tourists travel to London, they immediately recognise the famous London black cabs. In New York, tourists can easily identify the universal bright yellow colour of the New York cab. In this regard, taxis themselves can form part of the fabric of a destination.

The role of taxis in the visitor economy

Taxis play a crucial role for workers, residents and particularly for visitors. The taxi industry is especially important at night to service entertainment precincts and cultural venues, particularly where State transport agencies do not provide 24-hour rail or bus services. They are also a critical element of the transport network during special events, whether it is a convention, sport event, music festival or New Year's Eve. According to Deloitte Access Economics, taxis are one of the most frequently used modes of transport home from entertainment precincts late at night.¹

Taxis are a vital form of transport for tourists who are often unfamiliar with a destination. Additionally, taxi drivers often provide useful information to tourists about a particular destination. A report by the Independent Pricing and Regulatory Tribunal (IPART) NSW notes that demand for point-to-point transport services is likely to grow by 2.5 per cent, based on an increase in tourist activity, business activity and an increase in population growth.²

Tourism Research Australia data indicates that visitors arriving on flights to Sydney who choose to use a taxi are, on average, higher-spending visitors. The average taxi-using interstate domestic airline passenger generates a total of \$733 in value-added for the Australian economy – 15 per cent more than the average interstate domestic airline passenger. Similarly, the average taxi-using

¹ Deloitte Access Economics, *The economic and social contribution of the NSW taxi industry*, 2013.

² IPART, *Sydney taxi fares to apply and new licenses to be released from July 2015*.

international passenger generates a total of \$2,879 in value added – 24 per cent more than the average international passenger.³

Changes in the industry

During the past few years, new technologies and fare models have emerged resulting in changes to the passenger experience. Disruptive booking apps such as InGo and goCatch, as well as the emergence of ridesharing services like Uber, have challenged the taxi industry and proved popular with consumers. These apps allow users to book taxis directly with drivers, bypassing traditional taxi booking services and eroding their market share.

Uber, in particular, has highlighted a change in consumer preferences in Australia. Consumers are opting for ease of access, pre-payment and cheaper fares over the highly regulated taxi industry. Consumers are attracted to ridesharing largely due to its low price compared to traditional taxis, resulting in ride-share services gaining market share. New technologies have allowed for greater information dispersal. For example, Uber app users can see the name and phone number of their driver.

While ridesharing services in private vehicles are considered illegal under current regulation in NSW, IPART has found that 10 per cent of Sydney residents have used those services. Some States in the US have passed laws legalising Uber, introducing legislation covering vehicle standards, insurance, accreditation of drivers and setting out the circumstances in which ridesharing services can pick up passengers.

Safety

Current taxi regulations need to be revised to reflect changing technologies. However, safety should remain paramount. It is important that consumers are able to expect the same levels of safety in ride-sharing services as traditional taxi services.

Regulation should ensure the safety of both passengers and drivers. The current regulations governing safety for taxis include the provision of on-board cameras and central monitoring of vehicles. Taxis have robust safety systems that are fixed to the vehicle and are difficult to interfere with. There are no such requirements for ridesharing services, which remain largely self-regulated. Ride-share services rely on mobile devices to ensure passenger safety, however, they can be more easily manipulated and have a lower level of reliability. To the extent that there is regulatory equilibrium, there should be a clear focus on ensuring the safety of passengers and drivers.

Driver and vehicle checks

There is a reasonable expectation from consumers that the service they are using, regardless of whether it is a traditional taxi or a ride share, meets a range of minimum professional standards.

³ Deloitte Access Economics, *The economic and social contribution of the NSW taxi industry*, 2013.

Taxi drivers must currently:

- Meet driver licensing requirements
- Maintain a blood alcohol concentration of less than 0.02 per cent
- Be a minimum driver age of 20 years
- Undergo a driving record, criminal history and medical fitness checks
- Go through an annual medical assessment from the age of 60.

Taxi drivers must also have knowledge of regulations, knowledge of the geographic area in which they operate, and a suitable English language ability.

Taxi vehicles must be registered, inspected three times a year in Sydney, be fitted with a duress alarm (if connected to an authorised taxi network), boot lock release, security camera, and roof sign and lights. All taxis connected to an authorised taxi network must also have a vehicle tracking device. Rideshare drivers are generally only required to have the appropriate driver's licence, although individual platforms may encourage them to also undertake criminal history checks or apply for hire-car driver authorities. Likewise, rideshare vehicles are not required to undergo any safety checks above and beyond those required for registration.

Minimum standards that apply across both taxi and rideshare services should include driver licensing and authority including medical, fitness and criminal checks, driver competence, safety regulations, and vehicle roadworthiness and quality. Other typical occupational health and safety requirements should be standard across all services. Government must ensure that all minimum standards are enforced.

Consistency of service provision

Current government regulations are designed to improve the availability of taxis, for example, taxis cannot refuse service to passengers except under certain circumstances. Authorised taxi networks are expected to provide a taxi booking service 24 hours a day, seven days a week. While a universal service provision can be costly, there is a customer expectation that a taxi, or similar service, will be available at all times of the day and night. Ridesharing providers are not subject to this obligation, leaving taxi networks alone to bear the cost of providing a public transport service. Government must acknowledge the important role that taxi networks play in providing this universal service in its approach to the regulatory environment, taking into account the fact that the industry's main competitors are not compelled to provide the same service to the community.

Insurance requirements

Vehicles used in ridesharing services must be covered by insurance. Taxis pay high premiums compared to other point to point transport providers such as ridesharing and hire cars. Under current regulations, CTP insurance premiums are calculated differently depending on vehicle class and the relative risk rating of the different uses of that class of vehicle. Taxis have a high risk of 11.51 times the base premium, and a hire car in Sydney has a risk of 1.1 times the base premium. While rideshare drivers do have CTP insurance, they are subject to a lower risk category compared with

taxis and hire cars as they are often registered as a private vehicle. This creates a potential underpayment of insurance premiums. Vehicles used for ridesharing should be subject to a higher risk rating than private vehicles as they are on the roads for longer periods of time.

Rideshare providers should also provide third party property damage insurance cover, for which a minimum amount of cover should be decided by the regulator. This ensures that owners of property damaged in the event of an accident do not have to seek damages through the court. Some rideshare drivers may have a policy in place. However, due to their low risk rating, there is the potential of underpayment of insurance premiums relative to the risk of the vehicles and drivers. Without compulsory third party property damage insurance cover for rideshare drivers, there is the risk that they will not be covered by their policy in the event of an accident.

Industry adjustment package

Given the dramatic changes to the competitive landscape and the likely need to change the regulatory environment to better reflect these changes, government should also consider the need for structural adjustment packages for existing taxi licence owners.

The emergence of disruptive booking applications has substantially devalued taxi licenses. Most rideshare drivers do not hold taxi licenses, however, they are providing similar services. Taxi licenses require a substantial investment, with NSW taxi licenses currently trading at approximately \$330,000 per license.

Regulatory reform may significantly disadvantage existing taxi licence holders by further decreasing the value of their licence. Likewise, a continuation of the status quo, in which investors have purchased a licence but are now forced to compete with an unregulated competitor delivering essentially the same service, also risks a further substantial devaluation. Where decisions made on regulation have a significant negative impact on the value of taxi licences, taxi licence owners should be offered targeted assistance as a means to transition their investment.

Conclusion

With the changing technological landscape, it is clear that we need to have a rebalancing of the regulatory environment. We need a framework that is flexible enough to respond to the dynamic forces in the market and that strikes the right balance between ensuring safety and service standards while at the same time not stifling innovation.

Thank you again for the opportunity to comment on this important review and TTF looks forward to continuing our engagement in this policy space.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Margy Osmond', written over the typed name.

Margy Osmond

CHIEF EXECUTIVE OFFICER