



ERA DRAFT REPORT SUBMISSION

The conclusions within this draft report are erroneous and make many assumptions based on conflicting international studies and Northern territory experiments that do not draw the same conclusions here or elsewhere. ANU Study "In 2002 the NCC believes that the state/territory reviews indicate that the supply restrictions, in the case of the taxi and hire car industries, are not in the public interest As this review will show the removal of supply restrictions in the NT resulted in economic inefficiency(oversupply of taxis and reductions in driver incomes and social unrest (through poor standards and service) to such a degree that the incoming Labor Government felt that it was in the public interest to address the severe problems which 'came after the **complete failure** of the previous Government's deregulation' (NT Government media release 27 May 2002)". so

- Deregulating the number of licenses (Taxi) and releasing more licences (Taxi) will not drive down fares, decrease wait times, improve competition and improve driver conditions as this is not supported by overseas and Australian studies. (University of Leeds)(ANU study of NT Deregulation)
- Artificially decreasing the cost of plates will allow single owner/operators to move in to the marketplace is wrong as is the case in Victoria where the major players are subverting the process by promoting easy finance from themselves to allow small time operators in to the industry unbeknown to the single operator are erroneous clauses allowing the major companies to take on lease if payments fall behind.
- Allowing hire cars to operate unregulated will promote competition thus driving down fares and decreasing wait times is a myth according to International studies under taken by various bodies around the world, see below except from University of Leeds study.
- Releasing more licences without compensating the existing taxi owners will not affect owners to any great effect as most were bought when prices were low ignores the facts that these licences were bought as investments or private superannuation to be sold on retirement thus becoming self-funded retirees not reliant on the state.(ANU Study of NT Deregulation)
- Somehow releasing hire car licences as the panacea for the industry is wrong again as it just provides another avenue for the major players to move in and take over the market as is the case in Victoria where 13CABS has allegedly bought 200 hire car licences thus shutting the door to any competition and allowing the major player Cabcharge to continue to charge 10% surcharge on in car eftpos machines and driving down driver conditions that the Victorian Government has released for the taxi industry as hire cars are less regulated. Internationally hire cars are destroying the social fabric of society and the taxicab industry and destroying the income and conditions of taxi drivers by being unregulated.



- **Wait times for the passenger will not be considerably reduced by quantitative restrictions being removed (USA, Japan, Northern Territory). The quality of service decreases in most countries where deregulation has occurred. The actual availability for taxis exceeds 70% of their time as they more often than not are only engaged for 30% of their shift so a more efficient way of increasing that spare capacity is by allowing taxis to use Smart booking apps etc as proposed in our first submission and by allowing taxis to compete for jobs like non-urgent ambulance transfers and removing the state owned fleet of public servant cars and encouraging them to use taxis.**
- **Assumptions being made in the calculations to work out the savings to passengers if deregulation goes ahead is spurious at best. Wait times cannot be calculated at 5 minutes or \$40 an hour as up to 60% of daytime passengers are pensioners or unemployed and at night time people are not going to work but out to play, dinner etc. Calculating wait times is made even harder in metro areas as the infrastructure has not kept pace with the population influx therefore gridlock happens day and night time so these assumptions can go out window.**
- **With passenger approval ratings for taxis running between 80% - 95% around Australia and WA's above 80% ATF sees no reason to completely dismantle something that is not broken.**

IPART CONCLUSIONS SEPT 2013

2.2.2 A waiting time equation

Waiting time for taxis is clearly not constant across shifts (or within a shift). Even when there are a lot of taxis on the road, if there is very high demand, waiting time can be high or a taxi might not come at all, such as on New Year's Eve. Taxis can also be difficult to obtain on Friday and Saturday nights and peak times within a shift.

A waiting time equation links the average waiting time for passengers during a shift to both the number of taxis on the road and the share taken up by demand (so waiting times are generally shorter if there are more taxis on the road, but if there are more people trying to catch taxis at the same time, waiting times are longer for a given number of taxis on the road).

The waiting time equation in the model is based on established taxi waiting time equations from models of the 'cruising' (ie, not booked) taxi market because most taxi journeys in Sydney are not booked.³

The waiting time equation implies that if demand were twice as high for a shift and there were twice as many taxis operating, then waiting times would be lower. Essentially, this is because the (geographical) density of taxis increases as the number of taxis increase, so would-be passengers are on average closer to an empty taxi and waiting times are shorter.



- The assumption that by introducing more taxi plates will force down taxi fares by 16% and saving passengers \$47 million is based on insufficient data as international studies (University of Leeds, NCC 2002 Report) have shown that wait times are not reduced but in fact increase so more studies need to be done by a competent University before any assumption can be realistically taken in to account.

CONCLUSIONS

The effects of deregulation around the world has led to many and varied results. The overwhelming effect is that service standards fall, fares rise (contrary to the draft report) and the small owner/operator suffers financial hardship. Innovation has not occurred to any great extent and the general standard of vehicles has fallen as the owner cuts overheads to try to make a living. Wait times have varied from city to country area and from rank and hail work lowering to telephone booking work increasing as new entrants service ranks. The \$47 million to be saved by deregulating the number of taxi plates is a myth and political ideology should not get in the way of good policy.

Hire Car deregulation has had a dramatic negative effect on the service standard of passenger transportation around the world with reports of sub-standard vehicles operating unfettered. Driver training being substandard, fare gouging, experienced taxi drivers leaving the industry and being replaced by substandard drivers with little geographical knowledge.

The Australian Taxi Federation agrees with the following in the ERA Draft Report

- Removal of the restrictive practice of taxis having to be affiliated to a taxi network.
- Removal of restrictions on taxi booking apps.

RECOMMENDATIONS

1. The Australian Taxi Federation recommends if Quantitative restrictions on taxi plates are lifted that full compensation be paid to existing owners based on the cost of plate in 2013 to what they will be worth in 2015.
2. Taxi tariffs remain the same and be indexed based on Perth CPI every 12 months.
3. If hire cares are introduced adequate financial compensation from the \$30+ million fund, be paid for loss of revenue to taxi owners and drivers. Regulations must be introduced equal to that of taxis to allow a level playing field.



4. Minimum conditions be set out in contracts and leases be introduced to improve driver incomes which currently sit at \$18 an hour dayshift and \$24 nightshift with none of the normal benefits enjoyed by the average worker such as sick pay, workers' compensation, paid holidays and so on.
5. Driver safety is paramount and a comprehensive study needs to be undertaken to find ways to tackle assaults on taxi drivers Australia wide.
6. Daily checks of taxi drivers driving records by Department officers to ensure anyone that has been charged with a criminal offense or any offense that if convicted is likely for that person's taxi license to be suspended is taken off the road. (NSW, QLD REQUIRES THIS TO HAPPEN) With the Director-general having last say as to whether their licence is to be suspended or cancelled.
7. If deregulation proceeds, it must be prohibited to trade or lease taxi licence to others, other than the original holder, third party leasing must be heavily regulated.
8. That the government review all statutory and other costs met by operators over which the government has control with a view to minimising costs and streamlining the manner in which the administrative charges are applied.
9. That the government should establish a reasonable time frame for taxi dispatch companies to divest themselves of taxi fleets used in competition with affiliated holders of taxi licences. This applies to regional WA.
10. That necessary legislative or regulatory changes be made so as to require passengers who wish to travel after 10pm and before 5am prepay their fare and to produce and have recorded on the taxis security camera their driver's licence or other acceptable form of identification to facilitate safe taxi driving between these hours.

Northern Territory Taxi Deregulation

It is interesting that the NCC, as evidenced in the quote above, believes that the state/territory reviews indicate that the supply restrictions, in the case of the taxi and hire car industries, are not in the public interest. As this review will show the removal of supply restrictions in the NT resulted in economic inefficiency (oversupply of taxis and reductions in driver incomes and social unrest (through poor standards and service) to such a degree that the incoming Labor Government felt that it was in the public interest to address the severe problems which 'came after the complete failure of the previous Government's deregulation' (NT Government media release 27 May 2002)

SWEDEN DEREGULATION AND ITS EFFECTS

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Recently, Marrel and Westin (2002) have analysed the effects of the Swedish deregulation, with primary focus on rural areas. They conclude that no permanent increase in the number of vehicles occurred. Prices increased, although some variations occurred depending on the type of trip in question. They concluded that efficiency decreased in rural areas between 1991 and 1997. In relation to innovation, they found some developments in new services and businesses after the deregulation, although it is unclear whether competition has been the driving force behind this development. Furthermore, no large-scale enterprises emerged in either the urban or the rural areas studied.

USA DEREGULATION AND ITS EFFECTS

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The main reported short-term effect of deregulation in the US was a dramatic increase in supply. Notably, though, the increased supply mainly occurred at already well-served locations such as airports and major cabstands. This was a result of the fact that most new entrants were independent operators and thus small fleet operators who were unable to serve the telephone market. At these locations, waiting times for customers were already short. This finding is reported both by Teal & Berglund (1987) and Price Waterhouse (1993). The consequences of deregulation in the three US cities studied by the ITRE (1998) were similar to those reported by earlier literature. In the deregulated US cities, an increase in trip refusals occurred. As a result, consumers only experienced a marginal service improvement, according to the report by Teal and Berglund (1987). They rejected the argument by Frankena and Pautler (1984) that service improvements inevitably would follow new entry. Price Waterhouse also reported a decline in service quality. Trip refusal, increased vehicle age and soliciting for passengers were the primary results. According to Price Waterhouse, this was caused by over-supply. It is also interesting to note that the short-term effects were less adverse in smaller cities with an insignificant cabstand market. In all of the US case study cities, prices rose. The report by Price Waterhouse argued that this was a result of lagged cost increases and the fact that the cabstand market was generally price insensitive and lacked competition due to the first-in first-out nature of taxi queues. Teal and Berglund (1987) reported from their study that taxi rates were higher in real terms in all of the cities investigated. The increase occurred immediately after deregulation. This was partly because rate increase was overdue in the regulated regime. Further, the report found the upward trends of rates to be even more pronounced in cabstand markets than in telephone order markets. The two major explanations they offered were both related to demand. First, demand was characterized by imperfect information and strong name recognition (branding). Second demand might be inelastic; consequently customers do not pay much attention to the fares.

IRELAND DEREGULATION AND ITS EFFECTS

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Compared to most European countries, Ireland has a very high number of taxis per capita (Bekken and Longva 2003). Furthermore, the PHV industry also provides a substantial number of trips, which come in addition to the services provided by taxis. Most taxis are affiliated to a DC. The majority of the taxi operators in Ireland are independent owner-drivers. There are very few salaried drivers. On average,



there are almost as many taxis as there are operators. The Dublin taxi market is very much based on the street segments. Until 2000, the Irish taxi industry had been very tightly regulated for years, with regard to both fares and entry. New licences were rarely issued. Several reports showed a great mismatch between supply and demand of taxi services prior to the changes in 2000. In January 2000, the Ministry of the Environment and Local Government decided to increase the number of taxi licences by 3,200. These were to be issued to current licensees. This decision was taken to court, based on preferential treatment of current licensees over and above newcomers. The High Court decided against the Ministry stating that the restriction of access to licences to current licensees exceeded the powers of the minister. This decision effectively cleared the way for deregulation of entry restrictions to the Irish taxi industry.

The only regulation, which actually was altered in 2000, was access to the market. The other regulations of the taxi industry were more or less as before. Fares were tightly regulated whereas the requirements of drivers and operators were lightly regulated. No other changes were introduced as to alleviate the possible negative effects of deregulation. The early result of the deregulation is summarized in Goodbody (2001a) and Goodbody (2001b). The deregulation effectively wiped out the second hand value of the tradable licence plates. Certain licence holders suffered extreme personal financial hardship and as a result a Hardship Panel was established as to consider the need for compensation. The Irish experiences show that when entry is liberalised without other direct barriers to entry being introduced, the number of taxi operators will increase significantly. Salaried drivers prefer to become owners rather than working as salaried drivers. As a result, the utilisation of each taxi decreases. More taxis will be operated on a one-shift turn. The demand for taxi services did not increase as much as the supply. This has reduced the profitability in the industry and put a pressure on quality and fares. When fares are capped, reduced quality may be a way to increase profitability. Consumers have benefited from the increased availability through reduced waiting time. This however is most important for the street work segments. Furthermore, new entrants primarily focus on the taxi rank segment, rather than the telephone booking segment.

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**TAXI DEREGULATION:
INTERNATIONAL COMPARISON**

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CONCLUSION

Proponents of deregulation suggest that taxi deregulation over entry and fares will result in various consumer benefits such as increased availability, lower fares, and improved service. In addition, they argue deregulation will promote innovation within the taxicab industry with provision of various price-service options and new type of services such as shared ride taxis. Whereas, proponents of regulation contend that free entry will lead to excessive supply of taxicabs, which provoke cut-throat competition among operators as well as drivers. As a consequence, reduction of revenue will deteriorate drivers living condition, and will threaten the industry itself. Besides, they argue the fares will increase and service will worsen if the relevant regulation would be removed.

Then, the results of practical experiences in several countries are not completely consistent with any one of the arguments, but agree partly with both arguments at different categories from country to country. Generally speaking, however, the effects of taxi deregulation was not so beneficial to consumers. This is because fares has not fallen significantly in most cases, and quality has not improved so much as expected. The returns to operator as well as drivers also decreased with relatively lower profitability and wages respectively. In addition, there was no significant evidence of innovation in the industry, but the structure of industry became more fragmentary.

The results of this study show that deregulation as a whole was not very effective at least up to now in the taxi industry. Many problems occurred by the free entry and by the inadequate enforcement of regulations governing public safety and the behaviour of the operators. The latter especially highlights the importance quality controls, even in a deregulated market. Thus, more stringent regulations are necessary in order to ensure high quality and improved safety in taxi services. In addition, market entry should be regulated somehow, and the level of fares also need to be controlled. However, this does not mean that any regulatory reform or change is unnecessary. If current regulatory system causes serious inconvenience to the consumers in terms of low availability or bad quality or too high price, there may be needed some regulatory reforms considering the inherent conditions of the taxi industry in a city or a country.

Therefore, we can conclude that deregulation of entry and fares mustn't be implemented unconditionally, but it should be adopted within certain limits. Moreover, regulation on quality mustn't be removed nor relaxed, but it should be strengthened. Based on these conclusions, some measures concerning taxi deregulation can be suggested as following: First. Such an entry regulation that fixes the number of taxis served in a certain area, as like New York Medallion System, should be replaced by a more flexible system. For example, if the availability of service is too low with limited number of taxis in an area, such restriction on the market entry may need to be relaxed by issuing new licences, which can be seen in the case of Dublin. In this case, it can be problematic to estimate a shortage of supply and to determine the appropriate numbers. However, the level of supply can be monitored by checking the occupancy rate of taxis operated, thus, as like in Japan, when the rate increase higher than certain standard (e.g. 60% or more), new licence can be issued. Otherwise, the number of licences can be determined regularly based on a ratio reflecting population and the size of demand for taxi services, as can be seen in Toronto.



Second, the level of fares should be controlled by setting a maximum limit as well as a minimum limit, as can be seen in Japan. In this case, each limit can be determined and adjusted regularly within such a range that they ensure fair competition between operators. In addition, the responsibility to set such fares should be granted to a public body instead of a governmental authority to prevent the regulatory capture. Such a public body can be composed of some representatives of customers, those of drivers, those of operators and those of authorities.

Third, enforcement of market exit can be introduced in the light of quality regulation. Namely, if an operator or driver violate regulations frequently, his licence can be revoked or suspended temporarily. In this case, new licences can be issued as many as the number of licences revoked during a period. There are some other measures ensuring market exit the problematic operators, such as the periodic licence renewal system which can be seen in some American cities, and the licence return system which can be seen in Denmark. The latter works in such a way that any licence should be returned to the relevant authority when the holder cannot continue to provide service.

Finally, it must be prohibited to trade or lease taxi licence to others than the original holder, in the light of consumer protection this is because, as mentioned earlier, licence trade and leasing produce high level of licence value which can result in various side effects. By doing so, the existing licence value will certainly be eliminated. In this case, however, any loss of the incumbent operators who have bought a licence at high price should be compensated, as Toner (1992) suggests. The measure how to compensate for it may need to be studied furthermore.

Table 5.1 : Measures
for Taxi Deregulation
in Experienced
Countries

Country (City)	Relevant Law (year)	Entry Regulation	Fare Control	Quality Regulation
USA (New York)	TLC (1971) City (1990s)	Auction 400 new licences 1996-97	(na)	Legalise taxi leasing since 1979
USA (Phoenix)	Arizona State Constitution (1982)	Remove keep capital requirement	Remove	(na)
UK	Transport Act (1985)	Eliminate discretion in licencing	(na)	Allow shared-ride service
Sweden	Transport Policy Act (1989)	Remove restrictions on entry	Allow taxi companies to set fares	Abandon belonging to radio centre



New Zealand	Transport Service Licencing Act (1989)	Remove restrictions	Allow operators to set fares	Remain or strengthen
Japan	Whole regulatory reform since 1990s	Relax control on demand and supply	Diversify fares by zone fare system	Decrease minimum fleet
South Korea	Whole regulatory reform since 1993	Relax requirements for licence	Devolve fare set power to local gov't.	Relax quality regulations and leasing
Australia (Adelaide)	Passenger Transport Act 1991	Issue 15 new licences every year since '92	(na)	Establish accreditation system
Ireland (Dublin)	Consultant & study reports 1997	Issue 200 new licences	(na)	(na)
The Netherlands	Governmental study and decision (1997)	Introduce national licencing system in 1998 & relax in 2000	Introduce national max. tariff in 2000	Maintain quality requirements

* (na) : Not deregulated or data not available.

Table 5.2 :
Results of Taxi
Deregulation in
Countries

Country (City)	Numbers (Period)	Fare Level (Licence Value)	Quality of Service	Industrial Structure	Innovation in Industry
USA (New York)		(Steadily risen)	More deteriorated	Leasing increased & complicated	
USA (Phoenix San Diego Seattle)	Phoenix 83% SD 127% Seattle 33% increased	Increased in all cities (wiped out)	No evidence of service competition, waiting time slightly increased	Concentration decreased, turnover of operators increased	No new service
UK	Taxis 47% hire cars 56% increased (1986-91)	No big difference. (Steadily risen in restricted area)	Quality enforcement was poor, less ranks provided	Composition of taxis/ hire cars not changed	No new service
Sweden	More than 30% increased (1989-91)	Rose during early years, fell down later	Complaints increased, quality of drivers worsened	Small companies dominated, productivity decreased	Larger vehicle (for 6-8 pxs) increased
New Zealand	Companies 46%,	Fell in large cities, rose	Waiting time reduced,	Concentration decreased in	New service (taxi-van)



	taxis 48% increased (1989-94)	modestly in small cities (wiped out)	quality of drivers worsened	large cities, except Wellington	executive T) mail delivering, advertising
Australia (Adelaide)	Hire cars sharply increased	Held to inflation rate (sharply increased)	Waiting time slightly reduced	Leasing sharply increased, lease manage market appeared	No new service
Japan	Increased by 1,500 (1993-96)	Diversified and zone fares introduced	No evidence of significant changes	Operating areas reduced significantly	Blue-Line T in Tokyo, shared-ride taxis

12. Conclusion to The ANU study of taxi deregulation in the Northern Territory

Deregulation of entry into the NT commercial passenger vehicle industry has resulted in the major industry upheaval. A buy –back scheme for licences resulted in the Government paying out some \$25m in compensation, to be recouped through the imposition of an annual licence fee (\$16,000 in Darwin). Consequently fares have not decreased, and indeed as recently as early October 2002 there was a further increase approved by the Government. While there was a dramatic increase (35%) in the number of taxi licences on issue following deregulation, waiting times have improved but there has been a serious deterioration in service standards, including safety issues, and driver income. This has been recognised both by the stakeholders and the general public and is well documented in the press and in question time in the Territory Parliament. This is inevitable when there has been an increase in the supply of CPVs without a corresponding increase in demand.

These problems were acknowledged by the NT Labor Government who introduced a temporary freeze on the issuing of new licences and conducted a review of the CPV industry. The resulting Reform Package has resulted in the lifting of the freeze on the issuing of new licences (from 1 January 2003) together with a partial reregulation through the creation of an industry based CPV Board which will have significant regulatory powers. This has resulted in the NCC, in its 2002 assessment of the industry, expressing concern about the approach adopted and indicating that, as with all other states and territory, the NT would be reassessed in 2003. While the lifting of the freeze on licence numbers will have the potential to further increase the supply of CPVs and the CPV Board will regulate the industry to improve driver training and service standards, it is not clear how driver shortages being experienced by owners/operators and driver incomes, will be improved. Indeed the indications are that unless the Government can increase the demand for CPV services, driver supply, driver incomes and customer satisfaction will continue to be major problems for the industry into the future.

THE BROKEN WINDOW FALLACY

“The strange thing about assuming full capacity as the Broken Window Fallacy is that you end up in a strangely paralytic nihilistic world. If any action by the government is automatically offset, then surely the same can be said for



the private sector? If I set up a taxi, some might praise me for being an innovative entrepreneur, but am I not depriving the rest of the private sector my services? Is there not one less driver for other taxis to hire? If I am praised solely on the money I spend, are we not forgetting about what is unseen? After all, my money didn't come from nowhere, my business may be richer, but are my customers not equally poorer? For every customer I gain, does that not mean all other taxis have one less customer? Is all investment, public or private, not futile?"

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