

Research Director  
Transportation and Utilities Committee  
Parliament House  
George Street  
BRISBANE QLD 4000

28 September 2016

Dear Sir/Madam

**RE: SUBMISSION TO THE HEAVY VEHICLE NATIONAL LAW AND OTHER LEGISLATION AMENDMENT BILL 2016**

Thank you for the opportunity to provide this submission to the Parliamentary Committee investigating the *Heavy Vehicle National Law and Other Legislation Amendment Bill 2016* tabled in Queensland Parliament on Tuesday 13 September 2016. This submission examines and comments on elements of the Bill that seek to amend the *Transport Operations (Passenger Transport) Act 1994* to create a head of power for the Government to establish a transition fund. This follows the release of the *Five Year Strategic Plan for Personalised Transport* and the announcement of the Government's intentions to implement wide ranging reforms to the taxi and personalised transport sectors.

**Summary**

- The Queensland Government has announced a reform and Industry Adjustment Assistance Package that aligns closely to that of New South Wales. This is despite significant structural, operational, licence ownership, service delivery, performance and quality differences between taxi services in each State. An equitable reform package tailored to Queensland's characteristics is required.
- The taxi industry in Queensland experienced major impacts from the announced reform packages, including licence value loss, impaired operator viability, reduced driver availability and service capacity. This reflects heightened levels of uncertainty and structural inequity enshrined in the Government's announced reforms.
- A Queensland-centric Industry Adjustment Assistance Package should draw upon the experiences of other national and international jurisdictions to compensate taxi licence owners for the impact on their property rights. This should include a combination of hardship payments and annual transition support.
- An equitable Industry Adjustment Assistance Package for Queensland must take into consideration the relative need and likely timing of the impact of the reforms on each licence owner and operator. The level and composition of support should vary depending on these characteristics.
- There should be no arbitrary cap on the value of the Structural Transition Package for individual licence owners – **ALL** licences to participate in transitional payments. The value of the Package should be based on the annual return on the capital value of the licence lost since the illegal operation of "rideshare" in April 2014 (the "Asset Return" Model).
- Limousines should be assessed using the "Asset Return" Model in line with other forms of personalised transport to ensure equity. Currently the announced regulations have had no tangible effect on limousine licence values while the regulations have substantially increased the size of the limousine market (through their participation in the booked market) and reduced their cost base. This would classify limousine licence owners generally in the "Low Need, Long-Term" category and not suitable for the receipt of cash payments.

- This should be calculated based for each individual Service Area based on the loss in capital value between April 2014 and the present and the historical average yield on taxi licences in the State.
- Hardship support, in the form of short-term cash payments, is needed for taxi operators and should be distributed based on the number of associated licences.
- The transition support component of the Industry Adjustment Assistance Package should continue for at least eight (8) years, based on the average length of time for taxi industries to return to a point of operational “sustainability” post industry de-regulation.
- A suite of mechanisms should be employed by the Queensland Government to fund the Industry Adjustment Assistance Package including through:
  - Budget Appropriations
  - The introduction of a trip levy
  - An annual refundable tax rebate
  - Funds from Licence Fees
  - The Government providing a Guarantor for operator loans
- The likely financial cost to Government of an equitable, Queensland-centric structural transition package is exacerbated by the establishment and maintenance of an uneven “playing field” under the announced regulations. Non-financial reforms are required as part of the Industry Adjustment Assistance Package to create a genuinely level “playing field” that also protects Queenslanders by:
  - Maintenance of an all-encompassing licensing regime for personalised transport with licencing fees (\$1,500 to \$2,500 per annum), strict conditions and an ongoing discussion regarding market entry restrictions.
  - Personalised transport should not be allowed to register for Class 1 Compulsory Third Party (“CTP”) unless all vehicles are registered in Class 1.
  - Driver screening, including criminal and traffic checks, to be applied to all personalised transport.
  - Service contracts and affiliation, in defined service areas, for all personalised transport.
  - Funding of secure rank services for January 2017.

## Need for Equitable, Queensland-Centric Reform

The *Five Year Strategic Plan on Personalised Transport* outlines a regulatory reform package comprising a range of changes to the Queensland taxi and personalised transport sector. All proposed changes are either identical or similar to those that had been announced and implemented by the NSW Government as part of the Point to Point Transport review and subsequent legislation<sup>1</sup>.

### *Similarity in Reform Packages*

Regulatory reform changes adopted by NSW and Queensland Governments are outlined in the table below.

**Table: Taxi Reform Package Characteristics, Queensland and NSW**

Reform	NSW	QLD
Legalised “rideshare”	✓	✓
Maintained taxi exclusivity to “rank and hail”	✓	✓ <sup>2</sup>
Removed of vehicle age limits and reduced vehicle quality requirements	✓	✓
Reduced or removed driver appearance, training and criminal checks standards	✓	✓
Removal of maximum fare caps on booked and hire car services	✓	✓
Transitional assistance to licence owners of \$20,000 per licence	✓	✓
Establishment or increase in the WAT Driver incentive	✓	✓

However, the similarities of the reforms to those adopted and implemented by the NSW Government is concerning given the major structural and operational differences between the two taxi markets. While the reform packages are closely aligned, it appears little consideration has been given to the appropriateness of the reforms announced by the Minister to Queensland’s unique circumstances and context.

***Recommendation 1: Develop and implement an equitable, Queensland-centric Industry Adjustment Assistance Package that is tailored to the unique best practice characteristics of the Queensland taxi industry.***

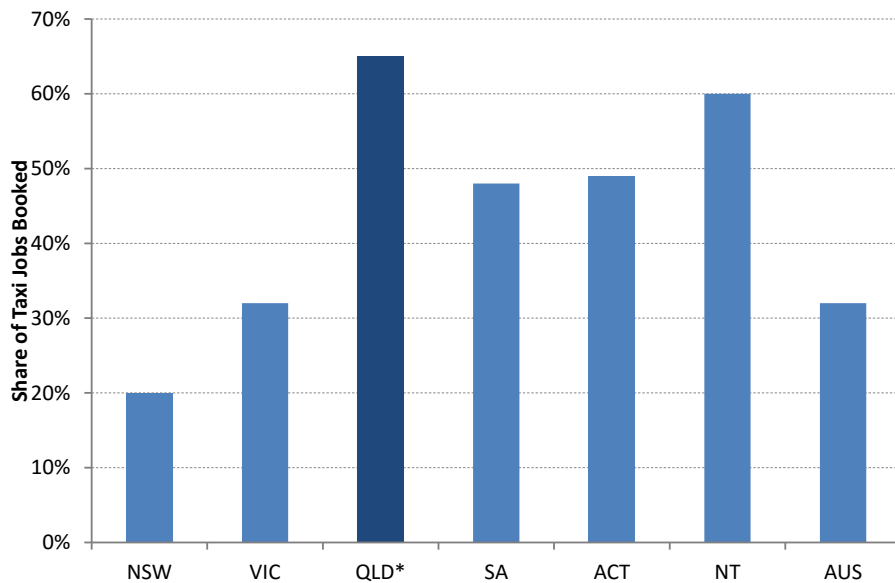
### ***Queensland’s Unique Characteristics***

Queensland is an established booked market with over 65% of trip across the State (and as high as 80% of trip is certain locations) pre-booked. This is the opposite of the NSW market which has long been an established “rank-and-hail” market with only 20% of trips being booked<sup>3</sup>.

<sup>1</sup> Transport for NSW (2016) Point to Point Transport Changes accessed at <http://www.transport.nsw.gov.au/pointtopoint> on 20 September 2016.

<sup>2</sup> Note that despite the regulatory intent, “rideshare” ranks are being created at the Brisbane Airport and are under consideration by Local Governments and major facility managers.

<sup>3</sup> RPS (2016), Demand for Taxi Services in Queensland, Taxi Council Queensland, Stones Corner. Refer to Appendix.



**Figure: Share of Taxi Jobs Booked, Queensland and Select States, 2014 (\*2015 for QLD)**

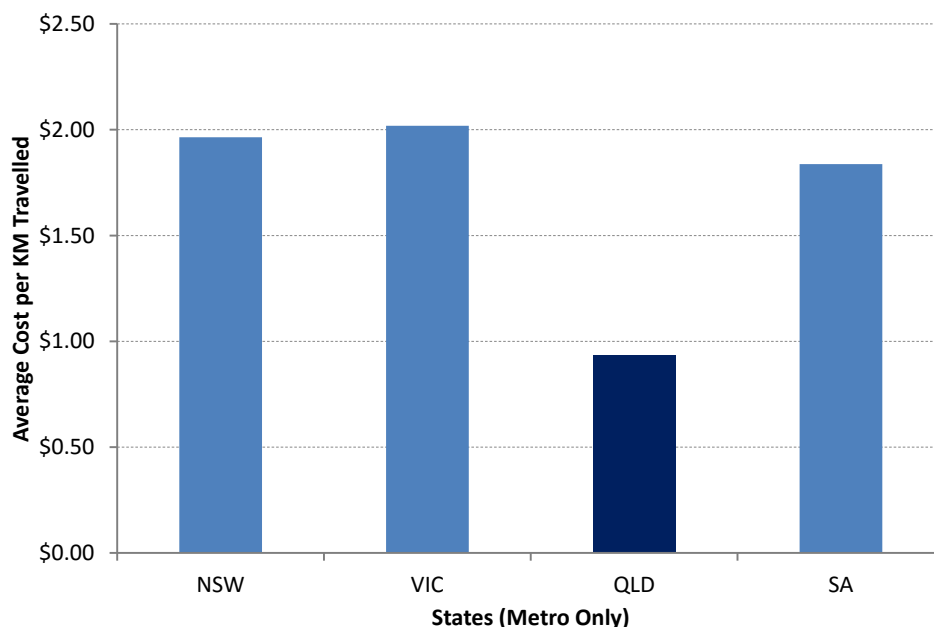
This is an important distinction as it means the reforms announced by the Minister go further than those in NSW, impacting more than two thirds of all taxi trips taken by Queenslanders, compared to less than one in five in NSW. This means that the announced reforms do not simply represent changes to the booked personalised transport market in Queensland but may be characterised as de-regulation of taxi services in the State, especially given the unrestricted market entry for substitute services.

Queensland's taxi services are also recognised as of the highest quality and standard. The Queensland taxi fleet:

- is the youngest in the world<sup>4</sup>;
- has the highest share of hybrid vehicles in the world;
- the largest share of Wheelchair Accessible Taxis (at over 20% across the State); and
- provide more than twice the value for money for passengers than in NSW<sup>5</sup>.

<sup>4</sup> RPS (2016), The Supply of Taxi Services in Queensland, Taxi Council Queensland, Stones Corner. Refer to Appendix

<sup>5</sup> RPS (2016), Demand for Taxi Services in Queensland, Taxi Council Queensland, Stones Corner. Refer to Appendix



**Figure: Average Cost per passenger per KM Travelled, 2014<sup>6</sup>**

Each of these characteristics underpins the delivery of a high quality, affordable and accessible personalised transport services by the sector. This was confirmed by the Roy Morgan Mystery Shopper Survey undertaken in September 2015 and released in January 2016. The Survey report showed that:

- 90% of Queenslanders are satisfied with the service they received from Taxi Booking Companies (“TBCs”);
- 88% are satisfied with the physical characteristics of the taxi;
- 72% are satisfied with the services provided by the taxi driver; and
- 92% are satisfied with the overall quality of the taxi service they receive<sup>7</sup>.

This is corroborated by analysis of the performance of Queensland taxis in providing timely services to Queenslanders. In the April-June 2016 quarter, Queensland taxis exceeded Minimum Service Levels, established by Service Contracts between the Queensland Government and Taxi Booking Companies, across the State.

**Table: Minimum Service Levels, Peak and Off-Peak, Conventional Taxis, April-June 2016<sup>8</sup>**

Peak		Off-Peak	
85% within 18 minutes	95.61%	85% within 10 minutes	87.62%
95% within 30 minutes	98.72%	95% within 20 minutes	97.43%

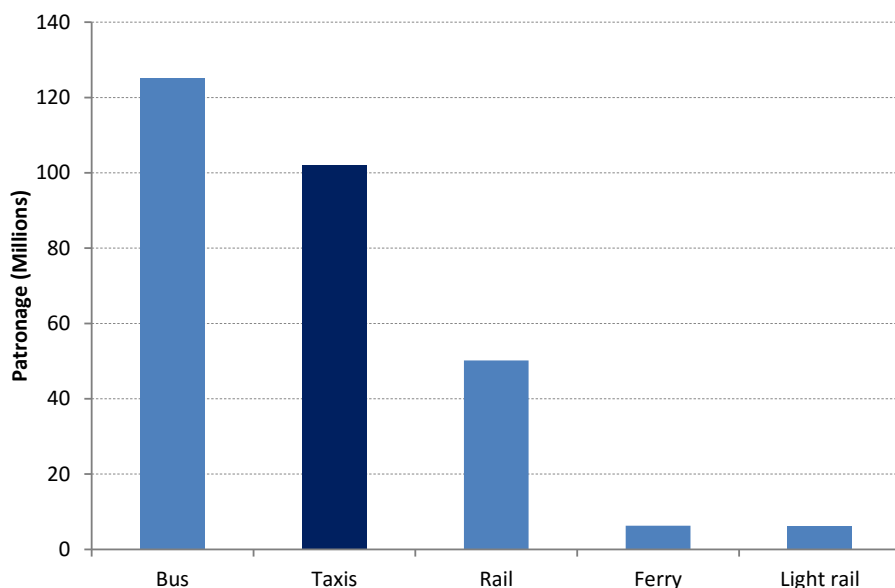
<sup>6</sup> Estimates derived by RPS from ATIA (2015) Taxi Industry Statistics, 2014, ATIA, Sydney

<sup>7</sup> Roy Morgan (2016) Mystery Shopper Survey of Queensland Taxis, Department of Transport and Main Roads, Brisbane.

<sup>8</sup> DTMR (2016) Minimum Service Levels, accessed at <http://tmr.qld.gov.au/business-industry/Taxi-and-limousine/Industry-information/Taxi/Taxi-service-levels> on 18 September 2016.

## **Queensland Taxis are Public Transport**

However, a defining difference between Queensland and NSW taxi markets is the central role that Queensland taxis play in the delivery of public transport services. In 2015, taxis had 102 million trips<sup>9</sup>, more than any other form of public transport with the exception of buses. Queenslanders use taxis more than any other State, travel further for cheaper and have more people per trip<sup>10</sup>.



**Figure: Passengers, by Public Transport Mode, 2015**

In many parts of the State, taxis represent the only accessible and available form of public transport and are the only form of public transport that operates 24hrs a day, 365 days per year. This view is shared by the majority of Queenslanders with more than half of people viewing taxis as a form of public transport<sup>11</sup>.

These characteristics mean the adoption of NSW-style regulatory reform and Industry Adjustment Assistance Package in Queensland is inappropriate and fails to consider the unique, best practice nature of the Queensland taxi industry and the high quality, accessible and affordable nature of taxi services that Queenslanders have come to expect.

### **Licence Ownership Structure**

Queensland has historically been characterised a perpetual freehold licence ownership structure. This structure has provided considerable certainty and stability that has supported the long-term delivery of a high quality taxi services. The high level of “buy-in” into the industry has promoted a longer-term focus on quality service delivery and allowed for innovations to be adopted and implemented rapidly.

This structure differs to that of NSW and WA where the majority of licences are owned directly by the Government and leased on an annual basis. This structure has largely contributed to a lower quality and less reliable taxi service. However, it has allowed supply, particularly taxi licences negatively impacted by the reforms in that State to exit the industry with minimal financial loss. During the first 18 months since the introduction of reforms in NSW, the number

<sup>9</sup> ATIA (2016) Industry Statistics, accessed at <http://www.atia.com.au/> on 21 September

<sup>10</sup> RPS (2016), Demand for Taxi Services in Queensland, Taxi Council Queensland, Stones Corner. Refer to Appendix

<sup>11</sup> RPS (2016), Demand for Taxi Services in Queensland, Taxi Council Queensland, Stones Corner. Refer to Appendix

of taxis in that State fell by 300, or some 5% of the fleet<sup>12</sup>. This mainly involved licences being passed back to the Government.

In Queensland, the perpetual licence ownership structure means the financial loss of an owner “passing back” their licence can be as high as 2,500% higher than in NSW (based on differences between perpetual and annual licence values); loss that would likely lead to bankruptcy for the owner in many instances. This means that supply is unable to respond as rapidly to reduced operational viability or lower returns, exacerbating the impacts on the financial circumstances of Queensland households.

### ***Structural Adjustment for Queensland Taxis***

Instead a more equitable, Queensland-centric Industry Adjustment Assistance Package is required. This package must recognise that Queensland’s taxi market is fundamentally different to that of NSW and that the proposed reforms have the potential to cause greater, longer lasting and more severe impacts on the industry. It must also recognise the central role that taxis play in providing essential public transport for Queenslanders and the impact on the community and on the Government if the operational viability of Queensland taxis is not maintained during the reform transition period.

### **Nature of Impacts on the Taxi Industry**

International experience over the past 40 years reveals a range of negative impacts from taxi de-regulation. For example, impacts of de-regulation on the community range from increased prices, decreased personal safety and increased traffic congestion. These issues are already apparent in markets such as NSW<sup>13</sup>, San Francisco<sup>14</sup> and London that have previously undergone significant taxi de-regulation and reform while in other jurisdictions (such as Ireland, the Netherlands and Sweden) re-regulation is increasingly common.

### ***Regulatory Uncertainty***

Taxi market de-regulation is expected to negatively impact the viability of the Queensland taxi industry and adversely affect the livelihood and financial capacity of Queensland households who have invested in taxi licences at the behest of the Government. These impacts are already being felt by the industry, owing to high levels of uncertainty created by a range of inter-related factors.

- The illegal operation of “rideshare” services since March 2014;
- The failure of the Department of Transport and Main Roads to enforce the laws of the State;
- The establishment and operation of the Opportunities for Personalised Transport Review (“Varghese Review”); and
- The announcement of broad regulatory and structural reforms for the personalised transport industry with limited detail on how the reforms will be implemented and operated in the Queensland context.

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<sup>12</sup> NSW Taxi Council (2016) Unpublished Data, NSW Taxi Council, Sydney

<sup>13</sup> News.com.au (2016) NSW Uber driver accused of sexual assault, accessed at <http://www.news.com.au/national/breaking-news/uber-driver-charged-with-sexual-assault/news-story/8126e691cded7ba0648634fa36d3e4dc> on 20 September 2016

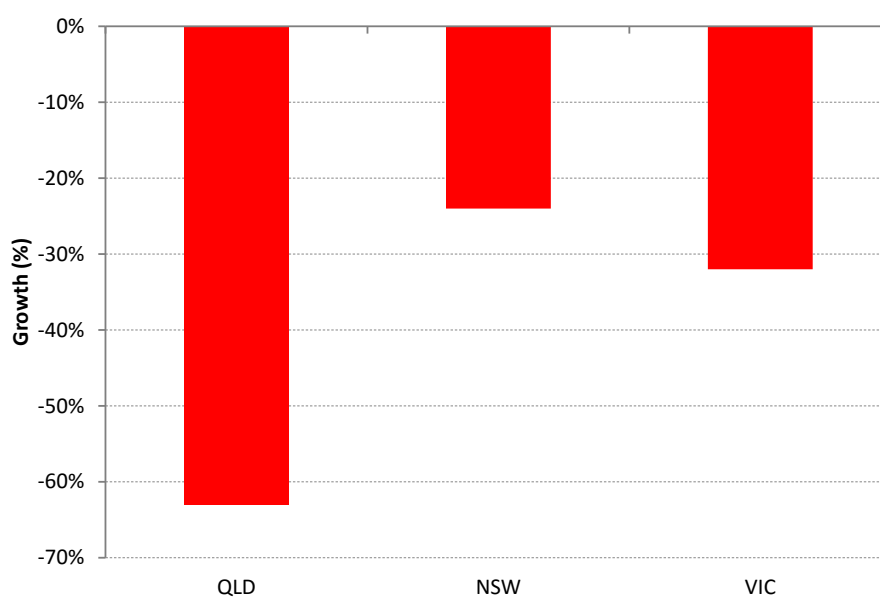
<sup>14</sup> Mirror Newspaper (2015) Uber 'allows convicted murderers, rapists and burglars to be drivers due to background check failures' accessed at <http://www.mirror.co.uk/news/world-news/uber-allows-convicted-murderers-rapists-6283545> on 17 September

**Recommendation 2: Provide increased regulatory certainty for the Queensland taxi industry through provision of greater detail on the implementation of proposed reforms and the immediate delivery of a Queensland-centric Industry Adjustment Transition Package.**

**Impacts on the Industry**

The impacts on the industry of de-regulation are varied and significant.

Licence owners, mostly individual Queensland households, have experienced the largest fall in the capital value of a taxi licence of any State in Australia<sup>15</sup>. Between 2014 and 2016, licence values in Queensland have fallen by up to 65%. This in part reflects the fact that licence values were higher in Queensland than in other State’s due to transparent supply controls by the State Government and the internationally recognised best practice regulatory framework in place in the State. For many licence owners, the licence represents the primary asset of the households and directly funds the payment of housing and health care costs and provides for basic essentials such as food and utilities. Falling lease values now means the financial livelihood and quality of life of thousands of Queenslanders are now at risk.



**Figure: Licence Value Falls, QLD, NSW and VIC, 2015<sup>16</sup>**

Interestingly, analysis by RPS suggests that the fall in the value of taxi licences in 2015 was directly proportional to the relative importance of the booked market in each State.

For individual operators, borrowing against the value of the licence to fund the purchase and fitout of a taxi vehicle was common practice. However, the heightened risk profile of the licences as a financial asset owing to the illegal operation of “rideshare” and Government inaction has meant that many financial institutions are either refusing to lend against the licence or are requiring significant additional security. This trend, also shared with larger operators and WAT owners, undermines the viability of this critical public transport service and raises serious questions about the longevity of high quality taxis services that Queenslanders have come to expect.

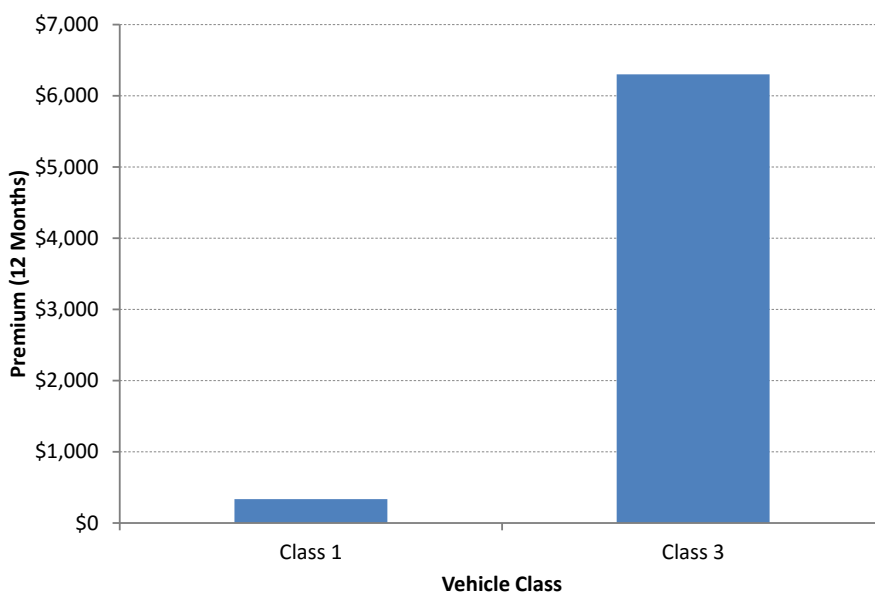
Further, taxi operators continue to be faced with a higher operational cost and regulatory compliance burden than unmarked budget taxis. Despite announcements in the regulatory reforms, the size of the cost savings to operators in the form of the waiving of fees and charges is minor and major cost elements (such as equipment requirements and

<sup>15</sup> RPS (2016), Pricing, Payments and Licences in the Queensland Taxi Industry, Taxi Council Queensland, Stones Corner. Refer to Appendix

<sup>16</sup> Derived from ATIA and TCQ data sets.

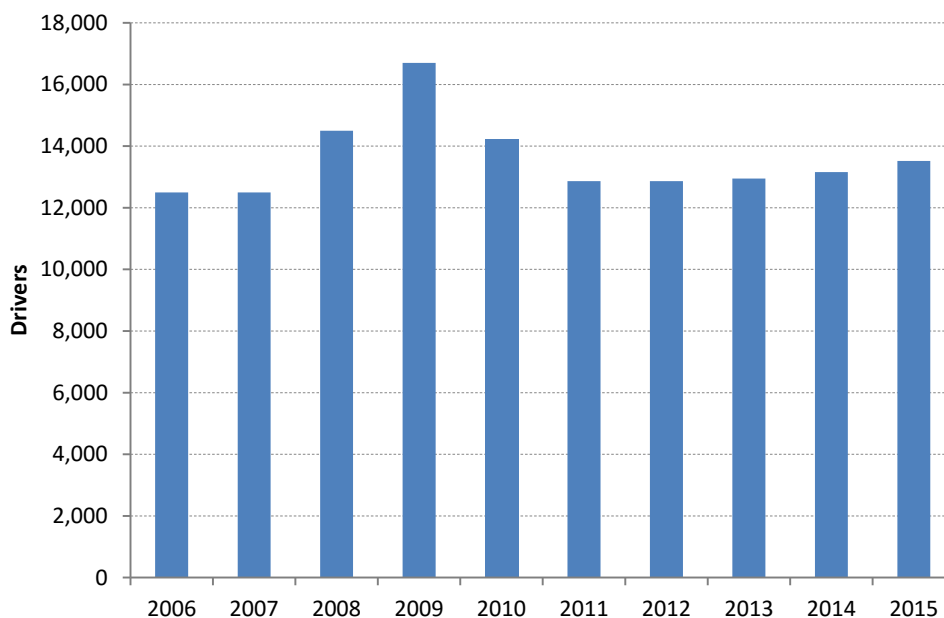


Compulsory Third Party insurance premiums) remain unchanged. Inequity in the cost of compliance for high quality marked taxis compared with unmarked budget taxis in the State remains a critical issue that perpetuates the uneven “playing field” in place during the illegal operation of “rideshare” services like uber in recent years.



**Figure: CTP Premiums, Classes 1 and 3, Queensland, as at April 2016**

These costs are being exacerbated by a sharp reduction in vehicle shift utilisation rates owing to a sharp fall in available drivers. Driver availability has been a major concern for a number of years. Consultation by RPS indicated that driver availability has been one of the major factors constraining taxi industry viability and service delivery since 2009<sup>17</sup>. The strongly positive view of Queenslanders of local taxi drivers reflects the high standards of training, vetting and ongoing performance monitoring entrenched in the current regulatory framework.



**Figure: Number of Drivers, Queensland Taxi Industry<sup>18</sup>**

<sup>17</sup> RPS (2016), The Supply of Taxi Services in Queensland, Taxi Council Queensland, Stones Corner. Refer to Appendix

<sup>18</sup> ATIA (2016) Taxi Statistics, accessed at <http://www.atia.com.au/taxi-statistics/> on 19 September 2016

The dilution of the driver training and performance framework in other jurisdictions has led to a range of negative and perverse outcomes for the community (including violence against passengers). However, the relative ease of driving for unmarked budget taxi operators (compared to taxis) is initially attractive to many drivers, despite the lower earning capacity and high churn rate<sup>19</sup>. International experience, particularly in the US shows that taxi driver availability will likely rebound in the medium term as driver awareness of the competitive advantages of being a professional taxi driver over a “rideshare” driver become more apparent. However, the damage that can be done to the taxi industry in the short-term cannot be understated with many operators in Queensland reporting shift utilisation rates for taxis as low as 50%.

These impacts on drivers, licence owners and operators in the short-term are likely to be substantially higher in Queensland than in other jurisdictions. While the impact on the taxi industry in NSW of their reforms has been tangible and justified the level of transition support offered by that Government, the relative importance of the booked market in Queensland means the impacts on this State’s taxi industry of the announced regulatory reforms have the potential to be 3-4 times greater and more intensive in the short-term.

As such, rather than simply being an issue of transition, the Queensland taxi industry is experiencing significant existential factors that will likely undermine the delivery of this essential public transport service across the State if significant financial support is not afforded within the next 3-6 months. The consequence of not doing so will be a sharp reduction in the availability and accessibility of public transport service for Queenslanders and a significant shift the cost burden to Government in the form of disability and paratransit transport services.

***Recommendation 3: Immediately make available significant cash support to industry stakeholders experiencing major hardships.***

### **A Structural Transition Package for Queensland Taxis**

The characteristics and challenges of the Queensland taxi industry means a structural transition package tailored to the State’s unique attributes and circumstances is required. This includes consideration of:

- different types of Industry Adjustment Assistance Packages
- the existence of property rights among licence owners
- what components comprise the package
- how to value the package
- how the package should be distributed among impacted stakeholders
- the duration of package and
- potential funding and delivery mechanisms.

These factors are examined below.

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<sup>19</sup> Hall, J and Krueger, A (2015), An Analysis of the Labor Market for Uber’s Driver-Partners in the United States accessed at [https://s3.amazonaws.com/uber-static/comms/PDF/Uber\\_Driver-Partners\\_Hall\\_Krueger\\_2015.pdf](https://s3.amazonaws.com/uber-static/comms/PDF/Uber_Driver-Partners_Hall_Krueger_2015.pdf) on 19 September 2016

## **Types of Industry Adjustment Assistance Packages**

The value of the Industry Adjustment Assistance Package should be based on the impact on the formal taxi industry resulting from the operation of informal unmarked taxis in the State. This impact commenced in April 2014 with the illegal operation of “rideshare” and now continues in the medium term following the announced de-regulation.

National and international experience shows that Industry Adjustment Assistance Packages can take on many forms. Examples include:

- The Victorian Government is proposing a taxi licence buy back (up to a maximum to two licences per individual) funded through the imposition of a \$2 levy per personalised transport trip<sup>20</sup>; including transition and “Fairness” Fund support.
- Northern Territory Government de-regulations in 1999 included the buy-back of taxi licences funded through a new annual licence fee (of \$16,000 per year)<sup>21</sup>. Northern Territory re-regulated the taxi industry through the re-introduction of supply caps.
- The NSW Government is compensating taxi licence owners \$20,000 per licence (up to a maximum of 2 licences per individual) as part of the introduction of the Point-to-Point Transport Reforms<sup>22</sup>: included transition and hardship fund support.
- The Irish Government paid taxi licence owners €13,000 in compensation per licence as part of the de-regulation of the taxi industry in that country in 2000. A moratorium on the issuing of new taxi licences was put in place in 2008 and a new regulator was established in 2013 following serious community impacts<sup>23</sup>.

## **Property Rights**

Other forms of transition support have been made available as part of wider taxi de-regulation reform packages including removal or reduction of some fees and charges. However, in most jurisdictions in Australia and around the world, Industry Adjustment Assistance Packages have traditionally been characterised by either the buy-back of licences (where a direct nexus with property rights is established) or per-licence transition support (where the licence asset remains but its value or operation is fundamentally altered by the reform).

The Productivity Commission in 1999 summarised the arguments for different adjustment packages. In particular it examined the relevance of property rights-based arguments. While land property owners are protected under the Australian Constitution, the rights to adjustment support from Government for actions that adversely impact other property rights vary<sup>24</sup>.

The principal argument against the provision of compensation for licence-based assets is that such licences are “*subject to the conditions created by law and to an implied condition that the law may change those conditions*”<sup>25</sup>. In the case of licences, the prima facie rule is that as a regulated financial asset created by Government, it is implied that

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<sup>20</sup> Victorian Government (2016) Media Release :

Victoria Leads The Way With Safer, Simpler, More Flexible Trips accessed at <http://www.premier.vic.gov.au/victoria-leads-the-way-with-safer-simpler-more-flexible-trips/> on 23/09/2016

<sup>21</sup> Nichols, D (2003) The Impact of Deregulation on the Northern Territory Commercial Passenger Vehicle Industry accessed at <http://www.icrc.act.gov.au/wp-content/uploads/2013/02/taxisubmissionattachmenta2feb03.pdf> on 23/09/2016

<sup>22</sup> Transport for NSW (2016) Point to Point Transport Reforms access at <http://www.transport.nsw.gov.au/pointtopoint> on 23/09/2016

<sup>23</sup> The Independent (2013), Deregulation 'ruined taxi drivers overnight' accessed at <http://www.independent.ie/irish-news/courts/deregulation-ruined-taxi-drivers-overnight-29709864.html> on 23/09/2016

<sup>24</sup> <http://www.pc.gov.au/research/supporting/taxi-regulation/taxiregulation.pdf>

<sup>25</sup> . Costello in *Hempenstallet al v The Minister for the Environment* (1992) quoted in Kenny and McNutt 1998 (UK)

the Government can change regulations associated with the asset at any time. This implied condition is a factor that would traditionally be considered as part of the risk profile of the asset – risk that is borne by the owner of the asset.

However, this general position can be undermined by a range of factors that can bolster property rights to licence owners. This can include:

- Where the regulatory framework that has supported the underlying value of the asset has existed without major amendment for an extended period, this stability can result in fundamental changes in the risk profile of the asset in the secondary market and create expectations of continued protection of property rights.
- Where there is an established and transparent mechanism for changes to the regulation of the asset, any changes to the regulations brought about outside of this mechanism as an unforeseen risk to the asset.
- Where the operation of the regulation includes the existence of a contractual relationship between Government and the licence owner or related third party, the risk profile of the asset is lowered.
- Where the Government, as creator of the asset, has previously encouraged private owners to invest in the asset and has benefited financially and in the achievement of policy outcomes from the investment, changes that negatively impact owners can be reasonably viewed as unconscionable and in bad faith.
- Where the changes proposed to the asset are so fundamental so as to change the underlying structure and nature of the asset, the Government in effect extinguishes the existing asset and replaces it with a new asset.

The previous regulations governing the successful operation of the Queensland taxi industry were unique. The *Transport Operations (Passenger Transport) Act 1994* (“the Act”) established the regulatory environment that was in operation for over two decades. The successful operation of the regulations and the long duration of the legislation reasonably create the expectation in licence owners of its continued operation in the medium term.

The Act also provided a clear framework for changes in the supply of licences, which is a principal factor underpinning the value of licences as a financial asset. Section 36 of the Act establishes that:

*“Before a regulation is made under subsection (1), the Minister must be of the opinion that the following criteria are met, or can be met or substantially met—*

- (a) the level of services would be greater than the level that would otherwise be provided;*
- (b) access to public passenger transport would be greater than would otherwise be achieved;*
- (c) service innovation would be greater than would otherwise be achieved;*
- (d) the particular public passenger services would better meet the Government’s social justice objectives at a lower cost to the Government than would otherwise be achieved.”*

In Queensland, evidence that these criteria are met is currently provided through the Taxi Licence Model, created by SAHA International and administered by the Department of Transport and Main Roads<sup>26</sup>. The existence of this model is unique to Queensland and addresses concerns in other jurisdictions of Government increasing the supply of taxi licences for revenue and budgetary reasons despite the negative implications to service delivery and the community. The existence of this model in Queensland creates the reasonable expectation that changes to supply of taxi services

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<sup>26</sup> Refer to a review of the Taxi Licence Model in RPS (2016), *The Supply of Taxi Services in Queensland*, Taxi Council Queensland, Stones Corner. Refer to Appendix

would be implemented through the regulatory framework without undermining the fundamental structure of the asset itself.

The Queensland Government is also the only government in the world that has entered into Service Contracts with the taxi industry. The existence of Service Contracts between the Government and the Taxi Booking Companies further reinforces the expectation of property rights by licence owners under the recent regulatory framework as it imposes contractual obligations on the industry (around minimum service levels and universal service obligations). The absence of financial consideration in these contracts supports the reasonable expectation of the industry and licence owners that consideration was in the form of the protection of property rights through the maintenance of market entry restrictions.

The Government has also been the net beneficiary of the creation of taxi licences as a financial asset. All 3,261 taxi licences in operation in Queensland were originally purchased from the Government, with some prices exceeding \$500,000 in the years up to 2014. The promotion of investment in taxi licences by the Government not only provided the Government with a revenue stream, but also allowed it to leverage private capital to facilitate the establishment and ongoing operation of the second largest and most accessible public transport system in the State. The combination of the financial and policy benefits to Government from the sale of taxi licences means that changes that negatively impact the value of these licences can be reasonably regarded as unconscionable and in bad faith, justifying the need for property rights-based support.

Finally, the regulatory reform of the booked market for taxi service in Queensland represents the effective de-regulation of taxi services in the State. Unlike NSW, more than 65% of taxi trips by Queenslanders were booked in 2015 meaning that the regulatory reforms announced by the Queensland Government are further reaching and more substantive to the structure and nature of the industry and associated licences. International markets that have been subject to similar levels of taxi service de-regulation (rather than simply regulatory amendments) have commonly included taxi licence buy-backs. This is a recognition the environment that supported the fundamental operation of the licence no longer exists and that the value of the financial asset has been extinguished.

The practical effect of these uniquely Queensland characteristics is that a reasonable person is likely to assume that a taxi licence in the State under the 1994 Act was imbued with significant property rights - and that the existence of these rights means that adverse impacts to the value of the asset arising from Government reforms must be proportionally compensated through a significant, tailored transition support package.

### ***Components of the Package***

Research by RPS of national and international markets over the past 30 years identified two major components common in most structural adjustment and transition packages offered by Government:

- Hardship payments - short-term cash payments for a fixed period or in lump sum to industry stakeholders experiencing personal or financial hardship as a result of the reforms.
- Transition support - may take the form of the waiving or reduction of fees, annual rebates or other forms of support linked to ongoing operations.

The existence of these two components reflects the fact that any regulatory reform impacts each stakeholder differently and that structural adjustment and transition support must be tailored to the individual circumstances of the stakeholder in a fair and equitable way.

## Package Administration and Distribution

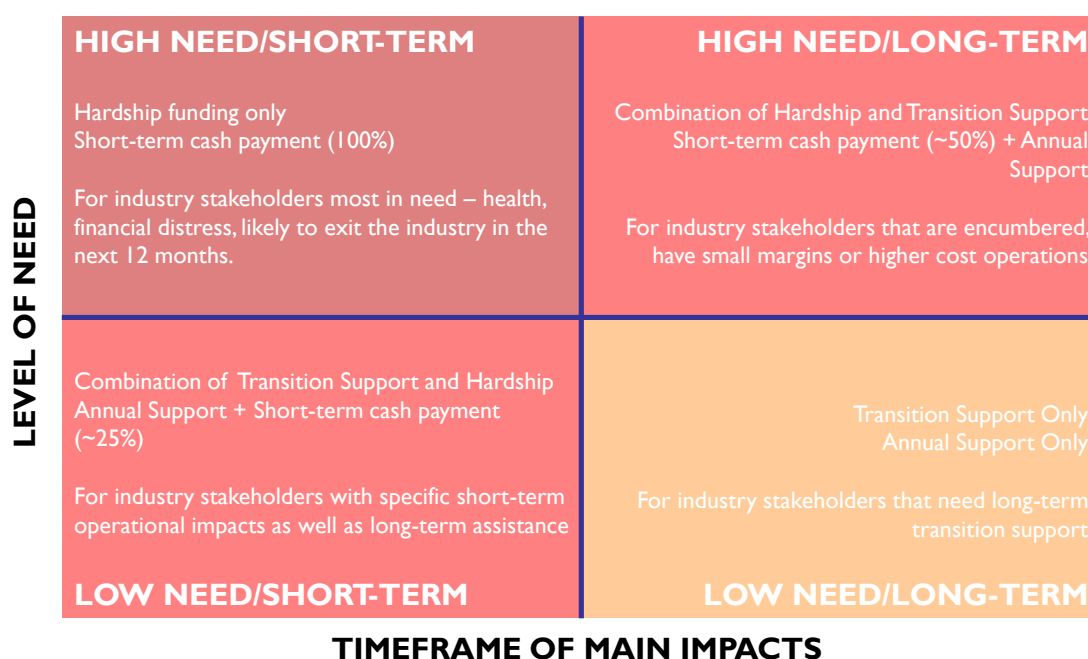
To achieve an equitable approach, the relative level of need and the likely timing of the impact of the reform on each Stakeholder needs to be assessed. This must include an assessment ALL licences to deliver personalised transport impacted by the announced regulations. Additionally, the existence of caps on assistance for stakeholders is unequitable and creates a circumstance where individual households that have played a greater role in the delivery of a key public transport service in the state are disadvantaged to proportionally a greater extent.

**Recommendation 4: Remove any arbitrary cap on the value of the Industry Adjustment Assistance Package and instead base the value on the needs of each Queenslanders or business – ALL licences to be eligible to participate in the transition payments.**

This creates four broad categories of stakeholders for which a different mix of hardship and transition support is required.

1. **High Need/Short-Term** – stakeholders in this group are experiencing the greatest hardship. This can be influenced by factors such as the age, health or financial circumstances of the licence owner or the financial viability of operation.
2. **High Need/Long-Term** – stakeholders in this group are likely to be reliant on debt financing or have assets that are encumbered and under threat of being repossessed by financial institutions as a result of the proposed reforms.
3. **Low Need/Short-Term** – stakeholders in this group are experiencing some short-term challenges that require direct financial support but have the capacity to continue to operate in the long-term.
4. **Low Need/Long-Term** – stakeholders in this group have the greatest capacity to continue operating in the short-term but require support to transition from the previous best practice regulatory environment.

These groups are illustrated in the figure below.



**Figure: Industry Stakeholder Groups, by Level of Need and Timeframe of Impacts**

Under this distribution model, those stakeholders with the greatest need in the short-term should receive 100% of their adjustment and transition support in the form of cash payments to address immediate hardships. The immediacy of the challenges facing the stakeholder require a proportional response from Government to address the hardship created as a result of the announced reforms.

On the other end of the spectrum, stakeholders with less intensive, longer-term support needs should receive this support in the form of rebates, cost reductions and other support initiatives. This recognises the capacity of this stakeholder group to continue to extract a return from their assets during the transition period.

***Recommendation 5: Implement an Industry Adjustment Assistance Package that adjusts the composition of hardship and transition support depending on the needs and impacts of the individual.***

#### ***“Asset Return” Approach for Licence Owner Support***

The illegal operation of “rideshare” services from April 2014 and the recently announced reforms have resulted in the largest fall in Queensland taxi licence values of any State in Australia. Movements in the value of a transferable financial asset are normal and should be expected by an informed investor and owner as part of the asset’s risk profile. However, the size of the fall experienced by Queensland taxi licence owners is beyond that which a reasonable person would expect for an asset with the property right characteristics of Queensland taxi licences, particularly given the transparency, consistency and best practice nature of the recent regulatory environment.

While the extent of de-regulation similar to that announced by the Government traditionally results in the buy-back of taxi licences in other jurisdictions, the Queensland Government in this instance has not formally extinguished taxi licences in the State. This means there is theoretically capacity for licence owners to continue to operate and extract a return on the value of the asset over time. As such, it is unlikely that an Industry Adjustment Assistance Package based on compensation for the capital loss would be appropriate in Queensland at this time.

Instead, analysis undertaken by RPS suggests that the most appropriate approach for valuing an Industry Adjustment Assistance Package for Queensland taxi licence owners should be based on annual return on the capital value of the licence lost in recent years. This approach recognises that the recent fall in asset values is based, in part, on the expected reduction in the return on the asset as a result of the announced regulatory reforms.

RPS has undertaken analysis of taxi licence values in Queensland since the end of 2013 across the defined Service Areas in the State. This data was provided to RPS by the Taxi Booking Companies and included analysis of lease fee values and calculation of yield and return levels on licences over this time.

In many Service Areas there have been only a small number of licences traded in the secondary market or purchased directly from Government by tender. This has meant that calculating the change in licence value is not possible without access to further data and information available to the Department of Transport and Main Roads. However, RPS has provided an illustration of the calculations in the “Asset Return” Model for select Taxi Service Areas in the table below.

**Table: “Asset Return” Model, Select Taxi Service Areas<sup>27</sup>**

Contract Areas	Licence Value (March 14)	Licence Value (Latest)	Loss in Licence Value	Historical Licence Lease Yield
Brisbane	\$525,000	\$175,000	-\$350,000	7.2%
Gold Coast	\$580,000	\$230,000	-\$350,000	13.1%
Sunshine Coast	\$455,000	\$410,000	-\$45,000	7.4%
Mackay	\$400,000	\$280,000	-\$120,000	7.8%
Cairns	\$590,000	\$444,700	-\$145,300	7.0%*

This “asset return” approach to ascertaining the appropriate value of a Queensland-centric Industry Adjustment Assistance Package for licence owners is both equitable and transparent. The approach can be applied to all Service Areas across the State, allowing for differences in the value of licences and their respective returns and yields to be taken into consideration. This would mean that the current cap in transition support would be removed and replaced by a more equitable, responsive and transparent approach.

***Recommendation 6: Adopt an “Asset Return” Model for determining the value of the Industry Adjustment Assistance Package of Queensland Taxi Licence Owners.***

***Per Licence Support for Operators***

The combination of continued inequitable cost and regulatory burdens, high capital requirements and debt exposure, reduced driver availability and reduced vehicle earnings means that taxi operators in Queensland are experiencing significant short-term hardship and fall within the High Need/Short-Term stakeholder group. Consultation with operators by RPS indicates that of all stakeholders in the Queensland taxi industry, taxi operators are experiencing the most significant financial hardship and are at risk of financial failure.

The sophisticated and integrated structure of the Queensland taxi industry means that the financial failure of one component of the industry can have dramatic flow-on impacts to the industry as a whole. In the case of operators, as the owners of the vehicles that deliver Queensland’s second most patronised public transport service, financial distress and bankruptcy can result in the collapse of taxi services across the State.

A major driver of this financial distress is uncertainty created by Government reform. Consultation by RPS identified a sharp increase in instances of major financial institutions either calling in loans on taxi vehicles or increasing security

<sup>27</sup> Refer to Appendix for more detail.



on existing loans, to address the change in the risk profile of taxi services during the current period of uncertainty. While some larger operators have the capacity to absorb such requests in the short-term, such ability is rare.

Maintaining the access of Queenslanders to high quality personalised transport in the short-term requires immediate support to taxi operators. This should be in the form of a per taxi vehicle cash payment from the Government prior to the end of 2016 as well as the Government providing a guarantee to banking institutions for all loans on taxi vehicles. This is regarded as justifiable considering the principal role that the Queensland Government has played in undermining the risk profile of taxi licences and the high costs that operators have incurred on the purchase and operation of taxi vehicles to meet the high standards required under the recent regulatory framework.

**Recommendation 7: Provide an immediate cash-based hardship payment to all taxi operators based on the number of taxis licences owned and/or leased by the business prior to the end of 2016.**

### **Treatment of Limousine Licences**

The announced regulations have substantially increased the size of the market for limousine licence owners by allowing them to participate in the booked personalised transport market along with taxis and “rideshare” vehicles. Limousines have also been the net beneficiaries of regulatory reform through the dilution of premium vehicle requirements and the establishment of a standard-vehicle hire car sector.

Additionally, the difference in the value of the licences between taxis and limousines needs to be considered. The current Industry Adjustment Assistance Package provides limousine licence owners a cash payment of approximately 50% of that of taxi licences. This is despite the fact that limousine licence values are between 300% and 1,000% less than taxi licences historically.

The last five sales prices for limousine licences in the Brisbane and Gold Coast region.

WHOLE OF QUEENSLAND LIMOUSINE LICENCE TRANSFERS	
DATE OF TRANSFER	PRICE
23 May 2016	\$40,000
29 Feb 2016	\$40,000
26 Nov 2015	\$66,000
06 Aug 2015	\$44,000
30 Jul 2015	\$59,500

**Figure: Last 5 Whole-of-Queensland Limousine Licence Transfers**

These characteristics mean that limousine licence owners will generally fall within the “Low Need, Long-Term” category of impacted stakeholders and therefore should not be generally eligible for cash payments unless overwhelming hardship and need can be demonstrated.

**Recommendation 8: Limousine licences should be treated equitable with taxi licences, taking into consideration the substantially lower value of the current investment of limousines and the fact limousines have been a net beneficiary of the announced regulations. This should preclude the allocation of cash-based payment unless overwhelming need can be demonstrated by individual limousine licence owners.**

### **Duration of the Package**

RPS has undertaken analysis of the experiences of international jurisdictions on the length of time a taxi industry is in “transition”. The period of transition is defined as the length of time (number of years) between the initial shock of reform and the point when the taxi industry returned to a point of operational “sustainability”.

Sustainability in this context considers both the financial viability of taxi services in each market, as well as the level of social sustainability (i.e. ability to meet community needs and minimise negative social impacts such as violence, extortion and criminal behaviour).

RPS notes that it is difficult to assess the length of the “transition” period based on the value of taxi licences as most other international markets that have de-regulated their taxi industries to the same extent as Queensland extinguished taxi licences (through licence buy-backs).

As the recently announced reforms represent the effective de-regulation of the Queensland taxi industry, RPS has examined jurisdictions that have undertaken taxi market de-regulation (excluding “rideshare”) as well as markets that have undertaken reforms to introduce “rideshare”. Focus has been on taxi markets in developed/western economies of similar size to that of Queensland.

The results of this analysis across five (5) comparable international jurisdictions are outlined in the table below.

**Table: Duration of Transition, International Jurisdictions**

<b>Market</b>	<b>Type of Reform</b>	<b>Duration of Transition</b>	<b>Indicator of End of Transition</b>
San Francisco	Introduction of “Rideshare”	3.5 years (2012-2015)	Return of Medallion values to pre-rideshare levels. Broader regulatory changes and reforms are ongoing.
Ireland	De-Regulation of market entry, fares and other regulations.	10 years (2000-2010)	Market entry restrictions were re-imposed on the SPSV sector by way of an indefinite prohibition on issuance of new licences and a prohibition on trading of licences
New Zealand	De-Regulation of market entry, fares, affiliation and other regulations.	9 years (1989-1997)	Reintroduction of very strict driver training, vehicle age and quality and consumer protection regulations.
Netherlands	De-Regulation of market entry, fares, affiliation and other regulations.	9-11 years (2000/02-2011)	Reintroduction of fixed fares, compulsory affiliation, strict vehicle and driver standards.
Sweden	De-regulation of market entry, service areas, affiliation, fares and other regulations.	8 years (1989-1997)	Reintroduction of service restrictions on independent taxi drivers prohibiting them from important areas such as airports and train stations. Swedish Government became principal funder of taxi services.

This research shows that the average period in which a taxi market is in “transition” is approximately 8-9 years. San Francisco is the main outlier as its transition was solely in the form of the introduction of “rideshare” and did not include the major taxi reforms announced by the Queensland Government and implemented in other jurisdictions.

Interestingly the research revealed that the most common indicator of the end of the “transition” period is some form of re-regulation of taxi services. With the exception of Sweden, where the major indicator was the emergence of the Swedish Government as the primary procurer of taxi services in that country, all other jurisdictions analysed in this research and profiled as part of the TCQ submission to the Varghese Review reintroduced major regulations on the supply, quality or availability of taxi services.

Based on this analysis, RPS recommends that a period of eight (8) years since the commencement of illegal taxi services in the State in April 2014 be used as the length of time for which transition support should be made available to the taxi industry.

**Recommendation 9: Provide adjustment support over an 8-year period in line with international experience on the duration of taxi de-regulation adjustment.**

Estimating the annual return on the lost capital value, RPS estimated the total value of licence owner support that would be appropriate in each of the selected Service Areas. This is based on both a nominal value over 8 years and a present value (applying a 7% discount rate).

**Table: Annual Return over 8 Years, Nominal and Present Value at 7%**

Contract Areas	Loss in Licence Value	Historical Licence Lease Yield	Annual Return	Total Return over 8 Years (Nominal)	Total Return over 8 Years (Present Value at 7%)
Brisbane	-\$350,000	7.2%	-\$25,200.00	-\$201,600.00	-\$150,477
Gold Coast	-\$350,000	13.1%	-\$24,500.00	-\$196,000.00	-\$146,297
Sunshine Coast	-\$45,000	7.4%	-\$3,330.00	-\$26,640.00	-\$19,884
Mackay	-\$120,000	7.8%	-\$9,360.00	-\$74,880.00	-\$55,891
Cairns	-\$145,300	7.0%*	-\$10,171.00	-\$81,368.00	-\$60,734

### **Potential Funding Mechanisms**

Analysis of national and international jurisdictions highlights a range of mechanisms for funding a structural adjustment and transition package. Each mechanism has both advantageous and challenging attributes that must be considered to ensure the mechanism selected is optimal for Queensland’s unique context.

- **Budget Appropriations** – historically, Industry Adjustment Assistance Packages, including licence buy-backs, have been funded out of the Budget without special levies or fares. Major examples include Sweden and the Netherlands. This can include the establishment of a discrete fund for the distribution of adjustment and transition support.
- **Trip Levy** – more recently a common mechanism of funding Industry Adjustment Assistance Packages is by imposing a levy on individual taxi and “rideshare” trips. This approach has been implemented in New South Wales and Victoria though both State Governments have experienced significant challenges in collecting the levy from taxi and “rideshare” companies.

- **Annual refundable tax rebate** – an alternate mechanism is the use of annual refundable tax rebates or credits to taxi licence owners and operators. This mechanism was examined by the Irish Government as part of its Industry Adjustment Assistance Package in 2000-2002 but was dropped in favour of a Hardship Fund financed through Budget appropriations. In Australia, the use of an annual refundable tax rebate would have added advantages for the Queensland Government by leveraging Federal Government contributions through reduced tax receipts. This is regarded as appropriate considering the recommendations of the Harper Review<sup>28</sup>.
- **Funds from Licence Fees**– another alternative mechanism is the sequestering and quarantining of funds received by Government through licence lease and other fees into a fund to support the structural adjustment and transition package. This approach actually represents best practice and highlights the policy failure of previous taxi licence sales revenue being incorporated into Consolidated Revenue. This model could be implemented immediately and include revenues from new licence categories established as part of future reforms.
- **Loan Guarantor** – a potential novel financial mechanism is for Government to act as guarantor for debts incurred by taxi operators in meeting the requirements of the previous regulatory framework established by the Government. This approach would address key finance access issues currently being experienced by taxi operators, would require no additional cash support from the Budget and would allow the industry to leverage finance to maintain viability in the short-term.

In reality, a combination or suite of these mechanisms should be explored and implemented to fund a tailored, Queensland-centric structural adjustment and transition package. This approach will ensure that no one group or cohort is unfairly burdened with funding the package, ensuring greater equity.

***Recommendation 10: Adopt a full suite of funding mechanisms to support the timely delivery of industry adjustment assistance, including both cash-based hardship payments and longer-term transition support initiatives.***

## **Non-Financial Support**

The likely financial cost to Government of an equitable, Queensland-centric structural transition package is exacerbated by the establishment and maintenance of an uneven “playing field” under the announced regulations. Taxis continue to be held to a significantly higher standard and quality than “rideshare” services, despite the de-regulation of the sector and the creation of a single homogenous booked market.

The inequity of this environment accentuates that impact of the regulations on taxi industry and increases the structural adjustment obligations on the Government. However, addressing this continued inequity will help to improve the ongoing viability of Queensland’s second largest public transport service and help to support the implementation of the announced reforms.

## ***Licensing Regime***

Given Queensland’s established personalised transport structure as a hybrid “rank-and-hail”/booked service, the creation of a distinct category for booked only service is regressive and counter to trends in major markets such as New York<sup>29</sup> and London. The artificial creation of a separate booked personalised transport market has the effect of

<sup>28</sup> Australian Government (2015) Competition Policy Review Final Report accessed at <http://competitionpolicyreview.gov.au/final-report/> on 19/09/2016

<sup>29</sup> NYC Taxi and Limousine Commission (2016) 2016 TLC Fact Book accessed at <http://www.nyc.gov/html/tlc/html/about/factbook.shtml> on 19/09/2016. Particular reference to the introduction in 2012 of Borough Taxis which mirrored Queensland’s recent regulatory structure.

creating imbalances in the quality of service and consumer protections for Queenslanders that choose booked services, over “rank-and-hail”.

An effective way of countering the negative implications of this artificial segmentation of the Queensland personalised transport market is the establishment of a single holistic licensing regime that applies uniformly across all personalised transport. This regime should learn from the lessons of major international jurisdictions, including experiences in de-regulation, and include strict vehicle and driver conditions and significant licence fees (a minimum of between \$1,500 and \$2,500 per annum to cover additional compliance and regulatory costs<sup>30</sup>) that promote a professional high quality sector.

***Recommendation 11: Implement a single holistic licensing regime that applies uniformly across all personalised transport. This should include strict vehicle and driver conditions and significant annual licence fees of between \$1,500 and \$2,500 to promote a professional, high quality sector.***

Consequently, this regime would require all passenger transport vehicles to be readily identifiable. This could include standardised livery, dedicated licence plates (similar to taxi “T” Plates) and the use of GPS tracking. In the absence of market entry restrictions, enforcement and compliance activities take on a far greater importance making the ready identification of all personalised transport vehicles essential. This compliance requirement should be facilitated by mandatory CCTV cameras in all personalised transport vehicles to ensure customer and driver safety.

Consideration should also be given to the introduction of uniform market entry restrictions across all forms of personalised transport. This recognises that re-regulation has been the end outcome of more than 65% of de-regulated taxi markets across the globe over the past 30 years.

Capping the number of personalised transport vehicles, including “rideshare” vehicles, would bring all service providers in the booked market into alignment. This control will enable a number of benefits:

- Mitigating the risk of increased road congestion caused by uncontrolled growth in the numbers of vehicles using the roads
- Control the rapid growth in compliance and enforcement costs to Government and
- Minimising the risk of negative outcomes that have appeared in other personalised transport markets that have de-regulated without capping market entry e.g. cartel behaviour and violence and extortion against customers.

***Recommendation 12: Consider establishing a cap on the number of personalised transport vehicles, including “rideshare” vehicles to help reduce road congestion, control Government compliance and enforcement costs and reduces risks to Queenslanders from cartel behaviour, violence and extortion.***

### ***Compulsory Third Party***

Personalised transport service vehicles have a higher crash rate than personal vehicles and should not be allowed to register for Class 1 CTP unless all such vehicles are registered in Class 1.

Licensing and registration for all personalised transport is essential to enable the Motor Accident Insurance Commission (“MAIC”) to obtain reliable claims history data to determine fair and appropriate premium levels.

Until such time as CTP reform allows more flexible classification for rideshare operations, a single CTP class should apply to taxis and rideshare vehicles. On the basis that rideshare vehicles have the ability to operate a commercial

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<sup>30</sup> RPS (2016), The Supply of Taxi Services in Queensland, Taxi Council Queensland, Stones Corner. Refer to Appendix.

service at any time, they should be subject to Class 3 CTP which is based on the established claims history data for taxis.

**Recommendation 13: Passenger transport should not be allowed to register for Class 1 Compulsory Third Party (“CTP”) unless all vehicles are registered in Class 1.**

### **Driver Screening**

A major lesson from international jurisdictions is the need to maintain a high standard of driver training and screening. Current taxi Driver Authorisations are subject to medical, criminal history and traffic history checks. The taxi industry is responsible under Service Contract for conducting daily checks to ensure Driver Authorisations remain current and valid. This system, including daily checks, should be maintained for all passenger transport under the new regulatory framework.

Reduced driver screening requirements is a common outcome of taxi regulatory reform over the past 30 years and has also almost universally resulted in reductions in consumer safety and decreased service quality. At the extreme, violence against passengers (as recently seen in NSW) and exposure to violent criminals (e.g. it was found that uber had failed to screen out 25 drivers who had rape and murder convictions<sup>31</sup>) becomes a worryingly common occurrence and invariably results in significant re-regulation of driver safety and quality standards<sup>32</sup>.

Increased driver screening and vetting has been aggressively rejected by lower cost personalised transport providers due to the impact it has on “rideshares” current service model. However, the desire to accommodate new models in the personalised transport sector does not outweigh the need to maintain and enhance protections of Queenslanders.

**Recommendation 14: Strict driver screening, including comprehensive criminal and traffic checks should be applied to all personalised transport.**

### **Service Contracts and Affiliations**

The new *Five Year Strategic Plan for Personalised Transport* seeks to maintain the “chain of responsibility” in the personalised transport sector that was enshrined in the form of innovative Service Contracts. The success of Service Contracts in achieving greater accessibility and lower cost taxi services than almost all de-regulated markets was achieved due to the compulsory affiliation requirements and the existence of defined service areas.

Unless compulsory affiliation is maintained, individual drivers can operate outside of the desired “chain of responsibility” shifting the entire compliance and regulatory enforcement burden back to Government. The removal of affiliation has been regarded as a regulatory failure in countries such as New Zealand and the Netherlands.

As a major form of public transport, personalised transport service providers should be made formally accountable to Government and the community for the delivery of their services. Examples of areas of accountability outlined in Service Contracts include:

- Performance outcomes for 24/7 service availability and maximum wait times
- Performance outcomes for customer information and service including complaints handling, lost property services, etc.
- Performance outcomes for quality and type of vehicles

<sup>31</sup> News.com.au (2015) Uber background checks missed murderer, sex offenders, US prosecutors claim accessed at <http://www.news.com.au/finance/business/travel/uber-background-checks-missed-murderer-sex-offenders-us-prosecutors-claim/news-story/ec39fa340c9a774d453a8d842ea2d467> on 19/09/2016

<sup>32</sup> As in the case of Ireland, Sweden, Netherlands, New Zealand and most US States, most recently in Austin, Texas.

- Driver suitability and performance
- Principles for fare setting and collection
- Requirements for management information systems to monitor, record and report on performance
- Terms for compensation if the contract holder contravenes the contract terms.

Many of these obligations under the Service Contract are only possible because of compulsory affiliation of licence owners and drivers to Taxi Booking Companies (TBCs), which enshrines a “chain of responsibility” that would be otherwise unable to be achieved.

All providers of personalised transport services to Queenslanders should be made accountable for these factors or the protections and service quality that Queenslanders have come to expect over the past 20 years will be rapidly eroded.

***Recommendation 15: Service contracts and affiliation, in defined service areas, should exist for all personalised transport providers to maintain clear “chains of responsibility” in the sector.***

### **Secure Ranks**

Queensland taxi licence owners currently funds “secure ranks” (including rank supervisors) across major entertainment precincts in Queensland. Secure ranks play a vital role in ensuring Queenslanders are able to access the only form of 24/7 public transport service in a safe and secure manner. Secure ranks also have the lowest waiting time of any form of personalised transport (less than 90 seconds on average)<sup>33</sup> and significantly reduce traffic congestion and instances of pedestrian injury and harm from vehicle accidents.

The role of secure ranks in moving Queenslanders from safe night out entertainment precincts is now vital that the Queensland Government has introduced “lock-out” laws. These laws will result in large numbers of Queenslanders being forced to vacate entertainment precincts in a short period of time and secure ranks represent the most effective way to distribute people away from the precincts before incidences of violence and public disruption can occurred.

Going forward, the announced regulatory reforms have seriously undermined the capacity of the industry to fund secure ranks services. As the benefits of secure ranks vest primarily with the State Government (through community safety) and entertainment venues, changes to the funding arrangements for secure ranks needs to be implemented immediately for the period commencing January 2017.

***Recommendation 16: The Government should fund secure rank services from January 2017.***

### **Conclusions**

The reforms outlined in the *Five Year Strategic Plan for Personalised Transport* go further than any other State in Australia. This reflects the unique characteristics of the Queensland taxi market, namely the predominant nature of the booked market and the high quality best practice nature of the 1994 legislation and supporting regulations. The effective de-regulation of the Queensland taxi industry therefore requires a comprehensive, tailored, Queensland-centric Industry Adjustment Assistance Package, rather than the adoption of the simplistic package adopted for in NSW.

Instead, analysis by RPS recommends that an uncapped, long-term transition support package be implemented. This package should have the following attributes:

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<sup>33</sup> TCQ (2016) Unpublished Data – Secure Rank Waiting Times, Taxi Council Queensland, Stones Corner

- Be valued based on the annual return to licence owners that would have been accrued on the licence value lost since the illegal commencement of “rideshare” in the State.
- Comprise a short-term cash-based hardship fund and longer-term transition support
- Transition support should continue for at least eight (8) years.
- The package should be funded by a mix of funding options.
- A range of non-financial reforms are required in the short-term to address current inequities in the reforms and minimise the impact on the taxi industries, risks to consumers and the potential cost exposure of the State Government.

## Recommendations

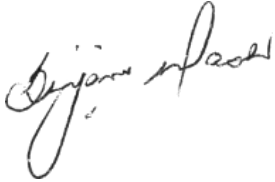
- **Recommendation 1:** Develop and implement an equitable, Queensland-centric Industry Adjustment Assistance Package that is tailored to the unique best practice characteristics of the Queensland taxi industry.
- **Recommendation 2:** Provide increased regulatory certainty for the Queensland taxi industry through provision of greater detail on the implementation of proposed reforms and the immediate delivery of a Queensland-centric Industry Adjustment Transition Package.
- **Recommendation 3:** Immediately make available significant cash support to industry stakeholders experiencing major hardships.
- **Recommendation 4:** Remove any arbitrary cap on the value of the Industry Adjustment Assistance Package and instead base the value on the needs of each Queenslanders or business – ALL licences to be eligible to participate in the transition payments.
- **Recommendation 5:** Implement an Industry Adjustment Assistance Package that adjusts the composition of hardship and transition support depending on the needs and impacts of the individual.
- **Recommendation 6:** Adopt an “Asset Return” Model for determining the value of the Industry Adjustment Assistance Package of Queensland Taxi Licence Owners.
- **Recommendation 7:** Provide an immediate cash-based hardship payment to all taxi operators based on the number of taxis licences owned and/or leased by the business prior to the end of 2016.
- **Recommendation 8:** Limousine licences should be treated equitable with taxi licences, taking into consideration the substantially lower value of the current investment of limousines and the fact limousines have been a net beneficiary of the announced regulations. This should preclude the allocation of cash-based payment unless overwhelming need can be demonstrated by individual limousine licence owners.
- **Recommendation 9:** Provide adjustment support over an 8-year period in line with international experience on the duration of taxi de-regulation adjustment.
- **Recommendation 10:** Adopt a full suite of funding mechanisms to support the timely delivery of industry adjustment assistance, including both cash-based hardship payments and longer-term transition support initiatives.
- **Recommendation 11:** Implement a single holistic licencing regime that applies uniformly across all personalised transport. This should include strict vehicle and driver conditions and significant annual licence fees of between \$1,500 and \$2,500 to promote a professional, high quality sector.
- **Recommendation 12:** Consider establishing a cap on the number of personalised transport vehicles, including “rideshare” vehicles to help reduce road congestion, control Government compliance and enforcement costs and reduces risks to Queenslanders from cartel behaviour, violence and extortion.
- **Recommendation 13:** Passenger transport should not be allowed to register for Class 1 Compulsory Third Party (“CTP”) unless all vehicles are registered in Class 1.



- **Recommendation 14:** Strict driver screening, including comprehensive criminal and traffic checks should be applied to all personalised transport.
- **Recommendation 15:** Service contracts and affiliation, in defined service areas, should exist for all personalised transport providers to maintain clear “chains of responsibility” in the sector.
- **Recommendation 16:** The Government should fund secure rank services from January 2017.

Should you have any questions, or wish to arrange a time to meet, please do not hesitate to contact me at [ceo@tcq.org.au](mailto:ceo@tcq.org.au).

Yours faithfully

A handwritten signature in black ink, appearing to read "Benjamin Wash". The signature is written in a cursive, flowing style.

Benjamin Wash CPA  
Chief Executive Officer  
Taxi Council Queensland

## **Appendices**

- 1 – RPS Technical Report: Asset Return Industry Adjustment Assistance Model
- 2 – RPS Technical Report: Demand For Taxi Services In Queensland
- 3 – RPS Technical Report: Supply Of Taxi Services In Queensland
- 4 – RPS Technical Report: Innovation In The Queensland Taxi Industry
- 5 – RPS Technical Report: Pricing, Payments And Licences In The Queensland Taxi Industry
- 6 – RPS Technical Report: Economic Analysis Of The Queensland Taxi Industry
- 7 – Analysis Of 5 Sep 2016 Regulation Changes
- 8 – IPNRC Report 16 Mar 2016
- 9 – Five Year Strategic Plan