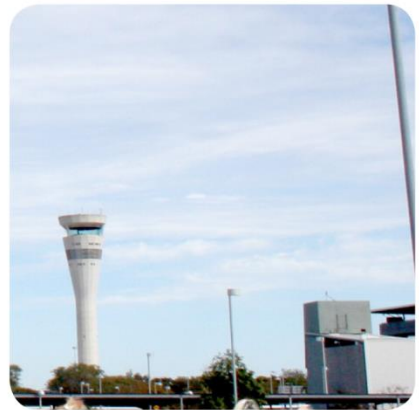
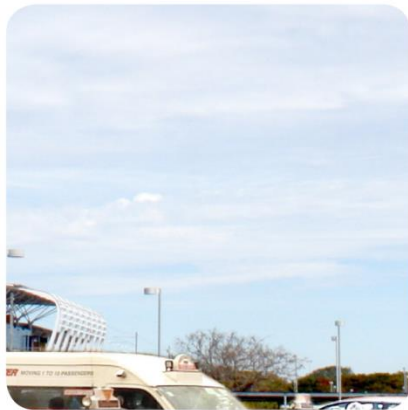
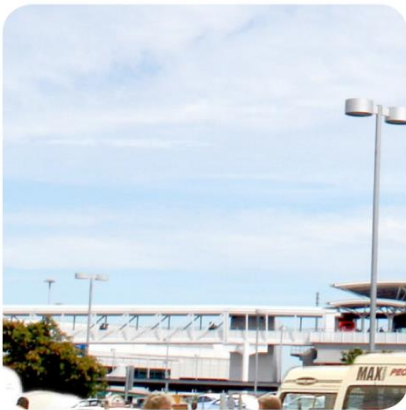


OPPORTUNITIES FOR PERSONALISED TRANSPORT
TCQ - Position Paper



Prepared by:

Prepared for:

RPS AUSTRALIA EAST PTY LTD**TAXI COUNCIL QUEENSLAND**L2 743 Ann Street
Fortitude Valley, Q, 40088/96 Cleveland St,
Stones Corner, Q, 4120T: +61 7 3237 8899
F: +61 7 3237 8833
E: mark.wallace@rpsgroup.com.auT: +61 7 3434 2100
F: +61 7 3394 4395
E: info@tcq.org.au
W: tcq.org.au

Client Manager: Mark Wallace

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Summary

Introduction

- **Taxis are a ubiquitous and universal form of transport** recognisable and available at almost every location around the world. Despite this, **each State and country has a unique regulatory environment** and framework, reflecting different histories, social and economic drivers and broader transport networks and systems.
- Taxis have existed as a **regulated form of passenger transport since the 17th century**, pre-dating modern motor vehicles. The regulation of taxi services dating from this time to the modern era has consistently responded to **community concerns regarding congestion, public safety, price gouging and exploitation and a lack of universal service accessibility and availability** in an unregulated market.
- The Queensland Taxi Industry has been **servicing the community for almost 100 years**, providing more than 250,000 trips per day across the State or **over 107 million trips per year** (in 2014).
- The Queensland Taxi Industry is **an industry of small businesses**, with over 16,000 small businesses operating across the State.
- There are currently 3,261 authorised taxi licences in Queensland. Licence numbers and supply is regulated by the State, with new licences issued through a tendering system.
- There are also **over 60 Booking Companies (also known as Transportation Network Companies) operating across the State**, typically with one company per Service Contract Area (with the exception of Brisbane which has two). **These Booking Companies are responsible for dispatch and fleet management and also maintain and enforce a range of regulations under Service Contracts with the Government.** All licences and drivers must be affiliated with a Booking Company.
- **The Queensland Taxi Industry is highly competitive, with over 13,000 drivers** – each a small business owner – competing to provide quality taxi services to Queenslanders.
- Queensland has one of the highest shares of dispatch-related taxi demand in the Australia, **with more than half of all taxi jobs being secured via telephone, online or app-based booking** with a booking company.
- **Taxis service the entire Queensland community and support key sectors of the Queensland economy** including entertainment and major events, major economic nodes such as the CBD and airport, tourists, and business and employment-related travellers.
- **Taxis also provide essential transport services for a wide range of at-risk, disadvantaged and physically and mentally impaired groups in the community** including the aged, minors, people under the influence of alcohol and people with disabilities. For these groups, taxis are often the only form of transport available and ensure they do not become socially isolated and can contribute to the community and economy.
- Currently, **Queensland taxis are not operating at full capacity.** Industry consultation has identified the **issue of driver availability as a major factor**, particularly the current restriction on potential drivers from select countries from driving a taxi within 12 months of their arrival to Australia.
- **The Opportunities for Personalised Transport (“OPT Review”)**, currently underway by an Independent Panel appointed by the Queensland Government, represents **a unique opportunity for the Government** to build upon the successes, insights and innovations of the State’s regulatory framework over the past 20 years and put in place a framework that supports the Taxi industry delivery quality passenger transport services across Queensland for the benefit of the community in the long-term.
- This Position Paper provides a **preliminary evidence-based narrative** on the Queensland Taxi industry,

its role in serving the community, the purpose and function of the current regulatory environment and opportunities for positive, productive and innovative regulatory reform for the future.

Taxis are Public Transport

- **Taxis are** an integral form of **public transport** serving millions of Queenslanders across the State each year. And in many **regional and remote parts of the State** they represent **the only form of public transport** available to the community.
- The Taxi industry **shares** a range of **characteristics with other forms of public transport** including universal service obligations, defined geographical service areas, regulated and transparent fares and strict driver and vehicle quality standards.
- But the Taxi industry is unique in that it provides comprehensive, universal **public transport service at no cost to taxpayers**. Taxis represent a fully user-paid form of public transport, that provide a net positive tax revenue to Government in the form of licence and registration fees, stamp duties and other taxes and charges.
- **“Ridesharing” vehicles**, as defined in the Terms of References **are illegal Taxis** operating outside of the current consumer protection regulations. It is also a form of illegal and unregulated public transport.

Consumer Protection Regulations

- The current regulatory environment in Queensland is complex.
- Despite this, the **Queensland Taxi industry is already partially de-regulated**, through the existence of **service contracts between the Government and Booking Companies**.
- The purpose of the **current regulatory framework is to protect consumers and the community**. The regulations are broadly comprised of five (5) key components that help protect consumers **and ensure the net benefit of the industry to the community is maximised**:
 - » **Licence Supply Regulations** – Taxi licence numbers in Queensland are limited by a demand-based licencing framework. This limitation is regarded a practical way of maintaining service qualities and the sustainability of universal accessibility in the long-term. While it is acknowledged that direct supply controls are a blunt instrument, the size of the regulatory burden on Government in a supply de-regulated market means that either the cost of regulatory enforcement to Government would increase dramatically or actual service delivery quality and accessibility would worsen. Licence supply regulations are also effective in minimising the secondary impacts of the Taxi industry on the community including limiting traffic congestion at major economic nodes (e.g. CBD and Airport)
 - » **Price Regulations** – by setting maximum prices, consumers have certainty in the cost of using a Taxi. This regulation has been further enhanced by the adoption of integrated meters (ensuring fares cannot be adjusted or tampered with by the driver) and GIS and GPS systems (which makes fare estimates more accurate), that provide even greater certainty and reduce chances for customers to be exploited.
 - » **Driver and Vehicle Quality Standards** – the regulations impose strict quality standards on the Queensland Taxi industry. These standards cover driver eligibility, training and service standards as well as vehicle age, mechanical soundness and equipment and technological standards. These standards all exist to protect consumers and the community.
 - » **Geographic Distribution** – licence supply regulation includes regulations on the distribution of Taxis across individual service areas across the State. The role of this regulation is to ensure that all Queenslanders have ready and timely access to a Taxi regardless of where they live.
 - » **Universal Service Obligations** – the regulatory framework requires taxis to operate 24 hours a day, 365 days per year, across the State and meet a set of Minimum Service Levels (“MSLs”). This coverage and service level standard is more extensive and complete compared to any other form of public transport, and ensures all Queenslanders have access to Taxis at any time of day.

- **Service contracts** between Government and Taxi Booking Companies are a unique and critically important characteristic of the Queensland Taxi industry. These **contracts provide the Government with the ability to delegate the monitoring and enforcement of some regulations** and standards to Taxi Booking Companies.

Innovation in the Taxi Industry

- **The Queensland Taxi Industry is recognised as one of the most innovative and progressive in the world** having pioneered EFTPOS in vehicles, premium taxi services, maxi taxis, people movers as taxis, taxi rank marshals and GPS tracking.
- **Further innovation is required** in the industry to respond to changing demographics (namely ageing), consumer behaviour and expectations and the availability of new technologies and systems.
- **App-based booking, dispatch and payment systems are increasingly regarded as standard technologies.** The first apps appeared almost eight (8) years ago and are now ubiquitous across most sectors of the economy. **The Queensland Taxi Industry has recently progressed and implemented a series of booking and dispatch apps** that leverage the industry's unique GPS and real-time dispatch capability. However, **further expansion** of the capabilities of these and other national app developments **have been stymied by rulings by the ACCC and a risk-averse regulatory framework.**
- The OPT Review must look beyond the short-term impact of the introduction of app-based booking and payment tools and instead focus on the long-term potential of emerging technologies and systems. A prime example is the **continued research and development globally of driverless and autonomous vehicles.**
- **However, it is the regulations themselves that require the greater reform and innovation.** The capacity of the industry to be entrepreneurial and responsive to changing consumer and community preferences is increasingly constrained by a risk-averse regulatory framework.
- **New business models and innovative services** that leverage the existing strengths and capabilities of the industry are the main area where innovation can drive improved outcomes for the community and business model innovation requires a regulatory framework that is both flexible and robust.

Path for New Entrants

- **There is currently no regulatory prohibition on a new party becoming a Booking Company** in Queensland. Historically, **issues of market size and commercial viability have been the greatest constraints.**
- However, **any new entrant to the industry must operate within a robust regulatory environment** if they are to provide an essential public transport service for the benefit of the Queensland community.
- **It is recommended that any new entrant that seeks to dispatch taxi work in Queensland be required to enter into a service contract** and become a Booking Company. This approach provides a clear path for new parties to enter the sector, while ensuring the Government continues to benefit from the regulatory oversight and consumer and community protections that service contracts afford.
- And the entrance of **a new booking company** in any of Queensland's service areas **should not be reason for undermining effective licence supply regulations.** A new booking company should be required to compete in the market to attract drivers and operators within the current supply of licenced taxis.

Need for Evidence-Based Regulatory Reform

- Recommendations for regulatory reform of the Queensland Taxi Industry must be based on rigorous evidence and analysis if they are to be effective and yield benefits for the community.
- TCQ has engaged RPS to undertake comprehensive research and compile detailed analysis and

evidence on the Queensland Taxi Industry, community benefits and impacts, global case studies and reform options and scenarios.

- Key tasks to be undertaken by RPS as part of TCQ's submission to the review include:
 - » Industry stakeholder consultation and workshops across Queensland:
 - Brisbane Metro North (Completed)
 - Brisbane Metro South (Completed)
 - Ipswich (Completed)
 - Gold Coast (Completed)
 - Sunshine Coast
 - Toowoomba
 - Hervey Bay/Maryborough (Completed)
 - Bundaberg
 - Cairns (Completed)
 - Townsville
 - Mackay
 - Rockhampton (Completed)
 - Gladstone (Completed)
 - Mount Isa
 - » International research tour to meet with regulators and operators in each of the following locations:
 - San Francisco, USA
 - New York City, USA
 - London
 - Singapore
 - » Review of current demand modelling relied upon by the State Government for assessing licence numbers
 - » Review of current theoretical taxi supply and key factors impacting practical utilisation and capacity
 - » Analysis of financial issues impacting the industry including cost structures, licence values and the impacts of regulatory compliance
 - » A review of potential innovations in the taxi industry, with a focus on both technological adoption and implementation and business model and service delivery opportunities
 - » Assess the net community benefit of taxis in Queensland communities and the economy including direct and indirect economic, social and environmental benefits
 - » Assess different regulatory reform options, including identification of cost implications to the State Government and assessment of risks to continued service delivery to the community

TCQ will provide the outputs of this research and evidence to the OPT Review as part of our comprehensive submission.

1.0 Introduction

1.1 What is a Taxi?

Taxicabs (commonly referred to as taxis or cabs) are a universal and ubiquitous form of passenger transport available in almost every major population centre around the world.

Taxis are vehicles-for-hire that provide the customer with point-to-point transport to a destination of their choice for a fee or fare. The cost of this fare is traditionally regulated by the government and is comprised of a combination of fixed fees (tariffs or flag falls) and distance and time-based costs.

Taxis are generally easily recognisable, often sharing consistent characteristics such as:

- roof mounted lights or signs informing whether the taxi is available;
- consistent livery and colours (commonly white or yellow);
- A registration or licence number so the customer knows the vehicle is authorised by the government to provide taxi services; and
- The word “Taxi”, often in English.

The universal availability of taxis around the world reflects the unique offering they provide to customers and the community. They provide a valuable and essential alternative to private transport (such as private motor vehicles) or route-based public transport (such as buses and trains).

Taxis are essential for the basic functioning of local and national economies. Taxi usage is closely linked to a number of major economic sectors and nodes including:

- Entertainment;
- Tourism;
- Business and employment-related travel;
- Travel to and from CBDs, airports and other major nodes; and
- Hospital, health and care.

1.2 History of Taxis

Taxis have a long and proud history serving the community, dating back over 400 years, predating modern motor vehicles.

Taxis originated in England and France in the early 17th Century when private citizens provided horse-drawn carriages for hire. These services went by the name of hackney carriages in the UK and “fiacres” in France. These original taxi services were joined by services offered by innkeepers, with carriages lined up in front of tavern establishments in early ranks.

In England, taxis operated without regulation between 1605 and 1635, when taxi services were officially legalised by the UK Parliament. Further regulation was imposed in 1654 in response to growing community concerns regarding traffic congestion caused by the proliferation of hackney carriage and coaches. This was exacerbated by the traditional two horse, four-wheel carriage configuration of the hackney coaches, which lacked manoeuvrability; though the introduction of the one horse, two-wheel carriage configuration of hansom cabs in 1834 helped to partially address this issue.

The original clockwork taximeters were first introduced to hansom cabs in the 19th century, though the modern taximeter was not developed until 1891 and was installed in the first petrol powered taxicab – the Daimler Victoria – eight (8) years later. By this time, taxicabs had spread to all major cities across the UK and continental Europe and were also available in the US, Canada and other parts of the British Empire. In each case, the introduction of taxicabs was followed by the establishment of a regulatory framework that commonly included a licencing or medallion arrangement.

Motorised taxis were first introduced to Queensland in 1909 and the first taxi company – Ascot Taxis – was established ten years later. Taximeters were subsequently introduced in 1924, before which fares were calculated with broad driver discretion.

1924 also saw the introduction of Yellow Cabs from the US into Melbourne under a local franchise and were subsequently introduced to Brisbane the following year. Within the first year, the fleet grew from 50 to 155 cabs in response to local demand.

The two-way radio represented another major innovation for the industry and significantly improved the booking and dispatch of taxi jobs to the fleet, over the old taxi call boxes.

In response to the spiking oil prices and global economic uncertainty of the 1970s, significant changes were made to the Queensland taxi fleet with the introduction of LPG-fuelled taxis. Since then the fleet has transformed further with more than 70% of the vehicles now hybrid petrol/electric.

In 1993, computer-based dispatch was first introduced in the State and since that time, a range of further innovations have been pioneered by the Queensland Taxi Industry including:

- Maxi-taxis;
- Integrated GPS;
- Integrated meters;
- EFTPOS in vehicles;
- premium taxi services; and
- taxi rank marshals.

The history of the Queensland Taxi Industry is one of pioneering innovation and serving the community. This history has been supported by a stable regulatory environment in Queensland with the flexibility to predict and accommodate these innovations. Opportunities now exist to establish a sustainable, innovative and supporting regulatory framework for the next 20 years, ensuring the community continues to benefit from quality personalised transport services.

1.3 Fast Facts of the Queensland Taxi Industry

Figure 1 Queensland Taxi Industry Fast Fact

Indicator	2014
Number of Licences	3,261
Average Fare (\$) – Metro	\$24.16
Average Job Distance (km)	11.5
Average Share of Jobs Booked/Dispatched (Qld)*	65-70%
Total Number of Jobs	47.65 million
Number of Passengers Carried	107.22 million
Average Share of Taxis using LPG or Hybrid	72%
Share of Taxis Wheelchair Accessible (WAT)	21%
Age Limit of Taxi Vehicles (Max Years)	6 (Standard), 8 (WAT)
Number of Service Contracts	20
Number of Booking Companies	60
Number of Taxi Drivers	13,158

* Based on preliminary data from Black and White, Yellow Cabs, SunCoast Cabs and Townsville Taxis

1.4 Industry Structure

The Queensland Taxi Industry has a multi-layered industry structure supporting the delivery of quality taxi services in the State. Key components of the industry include:

- **Booking Companies** – there were 60 Booking companies operating across Queensland in 2014. Booking companies are responsible for driver training, complaints management, lost property management, dispatch and fleet management. Drivers and licences must be affiliated with a Booking Company in 20 Service Contract Areas in the State
- **Operators** – responsible for vehicle maintenance, operation of vehicles and for ensuring vehicle compliance with quality standards. Responsible also for sourcing of drivers and providing drivers with access to vehicles under bailment (if not an operator/driver)
- **Licence Owners** – owners of a Taxi Licence in Queensland, either purchased from the Government through a tendering process or on the secondary market. Includes both passive owners (who do not drive a taxi and lease out the Licence) or owner/drivers
- **Vehicles** – each Licence must be linked to a vehicle. There are 3,261 vehicles operating in Queensland
- **Drivers** – there were over 13,000 drivers in Queensland in 2014. Drivers (who are not owner/drivers) enter bailment agreements with Operators

Each component of the Queensland Taxi Industry is integral to the delivery of taxi services to the community. Drivers represent the most fundamental and essential of all components of the industry, because without drivers, there would be no taxi services delivered in the State. This highlights the importance of ensuring the availability of suitably qualified drivers is maintained and that current regulatory barriers to new drivers entering the market are addressed.

In contrast, booking companies play a critical role in a modern taxi industry. Dispatching and fleet efficiencies would not be able to be achieved and the responsibility driver training and performance management would fall the Government in the absence of Booking Companies.

Consideration must be given to the interrelationship and operation of all parts of the Queensland taxi industry in any future regulatory reform.

1.5 The Opportunities for Personalised Transport Review (“OPT Review”)

In late 2015, the Queensland Government commissioned an independent review of taxi, limousine and rideshare services in Queensland. The purpose of the review is to:

“ensure Queenslanders are provided with safe and efficient personalised transport services and with a sustainable industry to deliver the services.”

The terms of reference for the Review – referred to the Opportunities for Personalised Transport or OPT Review – are broad in nature and cover all aspects of the personalised transport services sector. The scope includes:

- The safety of the community and drivers;
- The delivery of a flexible legislative framework that supports competition and innovation for all participants;
- Customer opinions of rideshare services;
- Steps undertaken by the taxi industry in adapting to changing customer needs and expectations;
- Supporting a sustainable industry that is forward-looking and fosters innovation;
- Competition in the sector, including vertical integration, anti-competitive practices and incentives for innovation;
- The provision of affordable and customer-focused services;
- The needs of the community across Queensland, including those with disabilities or reduced mobility;
- The current and potential role of taxis, limousines and rideshare services in an integrated transport system, with a focus on the role of these services to foster social inclusion;
- Transitional arrangements from the current regulatory and service arrangements to the recommended model;
- Other models and new approaches to delivering personalised transport services both in Australia and overseas;
- Potential use of personalised transport services by participants of the National Disability Insurance Scheme (“NDIS”);
- Operational procedures and practices within the sector; and
- Any other related matters.

TCQ, supported by RPS, is preparing a submission to the Review. This Position Paper represents the first part of this submission.

1.6 Position Paper Purpose and Structure

This Paper outlines the Position of Taxi Council Queensland (“TCQ”) on the opportunities for regulatory reform and the taxi industry more broadly over the next 20 years. The Paper:

- identifies and summarises the critical role that taxis play in Queensland communities and the economy;
- outlines importance of the current regulatory framework in protecting consumers and maximising the benefit of the industry to the community;
- profiles past and potential future innovations in the Queensland Taxi Industry that could improve fleet efficiency and sustainability, improve customer accessibility and experience and increase net benefit to

the community.

- outlines initial thoughts from TCQ on the regulated pathway for new entrants seeking to provide taxi services in Queensland; and
- outlines the research and analysis to be undertaken by TCQ and RPS in the preparation of a comprehensive and evidence-based submission to the Review.

I.7 Glossary and Abbreviations

MSL	Minimum Service Levels
OPT Review	Opportunities for Personalised Transport Review
TCQ	Taxi Council Queensland
WAT	Wheelchair Accessible Taxi

2.0 Taxis Are Public Transport

2.1 Taxis Provide Public Transport Services

Taxis are a unique form of personalised transport in Queensland. Not only do they provide on-demand, point-to-point passenger services for customers, they also are an integral form of public transport serving millions of Queenslanders each year.

This role as a public transport services is reflected in the multi-faceted nature of the demand profile of taxis. RPS categorises the two main forms of demand as:

- **Discretionary** – voluntary travel by the customer linked in which the customer chooses a taxi over other forms of transport (public and private) for reasons of cost, convenience or accessibility; and
- **Non-Discretionary** – when the customer is dependent on taxis to provide them with access to a range of essential goods and services, including health and medical, retail, social and employment activities.

These two sources of demand mean that, unlike limousines and “ridesharing”, taxis provide an essential public transport service for the Queensland community.

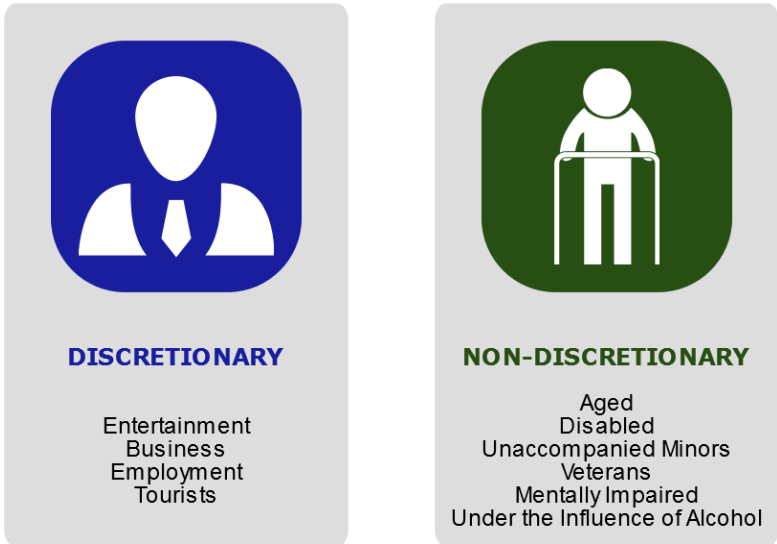


Figure 2 Main Categories of Demand for Taxis in Queensland

2.2 Taxi Share Public Transport Traits

The Taxi industry shares a range of characteristics with other forms of public transport. This is evident in the following figure.

Figure 3 Traits and Public Transport

Traits	Trains	Buses	Ferries	Light Rail	Taxis
Regulated and Transparent Fares	✓	✓	✓	✓	✓
Centralised Fleet Management	✓	✓	✓	✓	✓
Government Regulation	✓	✓	✓	✓	✓
Route-Based Travel	✓	✓	✓	✓	
Area-Based Service Contracts	✓	✓	✓	✓	✓
Government Subsidies for Disadvantaged Commuters	✓	✓	✓	✓	✓
Government Funding	✓	✓	✓	✓	
Universal Accessibility	✓	✓	✓	✓	✓
Minimum Service Levels	✓	✓	✓	✓	✓
Shared Usage	✓	✓	✓	✓	✓

In fact, with the exception of route-based travel and Government funding, taxis share all the characteristics of other public transport services.

Previous discussions on whether or not taxis are public transport have failed to properly assess the characteristics of the industry and the services delivered. Taxi services has been previously defined as alternative to public transport – in that they provide public-transport like services to people who cannot use traditional public transport. Equally, taxi services have been classified as complementary to public transport – in that they operate at times when public transport does not.

The fact that taxis are both an alternative of and complementary too traditional public transport services means in practice that taxis are public transport.

This definition is further reinforced by review of the current definition of taxi services under the Transport Operations (Passenger Transport) Act 1994. The Act defines Taxi Services as:

“a public passenger service, other than an excluded public passenger service, provided by a motor vehicle under which the vehicle—

(a) is able, when not hired, to be hailed for hire by members of the public; or

(b) provides a demand responsive service under which

members of the public are able to hire the vehicle through electronic communication; or

(c) plies or stands for hire on a road. (Schedule 3 TOPTA 1994)”

The current definition of a taxi service in Queensland already recognises the role that taxis play in providing passenger services to members of the public. This recognition now needs to be mirrored in Government policy and recognised in future regulatory reform and public transport planning in the State.

2.3 Role of Taxis in an Integrated Public Transport Sector

Taxis play a central role in the delivery of public transport in Queensland. The flexibility of taxi services – providing an on-demand, point-to-point passenger transport – means that taxis provide transport options akin to private motor vehicles for a distance and time-based fare. This differs from other forms of public transport offered across Queensland, which are primarily route-based passenger transport, most of which require dedicated infrastructure to operate (particularly passenger rail, ferry, light rail and high speed bus). Instead, taxis draw down on the State's road infrastructure, commonly using roads outside of traditional peak times (particularly in South East Queensland).

Taxis therefore play an important complementary role for other forms of public transport and add a high level of travel flexibility into Queensland's integrated public transport offering. Improving the integration of taxis into the State's public transport network is therefore critically important to ensuring the benefits of taxis are fully incorporated and maximised. This includes:

- Providing appropriate taxi access and ranks at major public transport nodes;
- Prioritising taxis, along with other forms of public transport at major sporting, community and cultural events;
- Allowing taxis to drop off and pick up disabled and elderly passengers at the closest point to their destination (such as disabled parking spaces); and
- Reversing the recent decline in the number and capacity of taxi ranks ensuring the availability of taxis at key nodes throughout the State.

2.4 Role of Taxis in Regional Queensland

Not only are taxis an important form of public transport, but in many regional communities in the State, taxis are the only form of public transport availability to the community.

Queensland has one of the most comprehensive, multi-modal public transport networks in the world. However, public transport service delivery, invariably impacted by the level of demand and the decentralised nature of the State's population, means public transport options are limited in many regional communities.

Taxis operate across regional Queensland. Outside of Brisbane Metro, City Companies and Cooperatives operate across 17 cities and larger towns across South East Queensland and regional and remote Queensland. The Gold Coast has the most number of taxi licences outside of Brisbane at 357 (as of August 2015) with Bowen having the smallest number at only four. While the level of public transport offering in these larger population centres varies alternative public transport services are generally available.

Additionally, taxis operate across 89 smaller towns and communities. All of these towns have fewer than 10 taxis serving the local community (with the exception of Thursday Island having 15). In most of these townships, there is no regular form of public transport. Some Councils and community groups operate courtesy buses, but these are not always available to the public. In these communities, taxis are the only form of public transport available.

And even in these towns, wheel chair accessible taxis ("WAT") are in service. In fact, over 40% of taxis operating in smaller regional communities in Queensland are WATs, higher than the rate in service across the State as a whole (at 21%).

The universal nature of taxi availability across the State, coupled with higher shares of WATs, means that taxis provide a critical form of public transport across regional Queensland in the absence of comprehensive public transport networks. However, regional taxi services suffer from a range of challenges that affect their

ability to viably provide these services. These challenges include the small and sometimes volatile nature of local economies (particularly those linked to mining activity), illegal taxis (non-corporate) and the proliferation of community and courtesy buses.

2.5 A “No Cost” Public Transport Sector

The Taxi industry is unique in that it provides universal public transport services **at no cost to taxpayers**. Taxis represent a fully user-paid form of public transport in which customers pay for all the costs of their travel as part of their fare. The taxi industry is not a subsidised sector, with the poorly named Taxi Subsidy Scheme (“TSS”) not providing subsidies for taxis but rather subsidised transport to qualifying members of the community with a disability.

The fact that taxpayers and Government do not pay for taxi services means taxis provide the greatest value for money public transport in the State. Nearly 110 million trips are provided by the Queensland taxi industry each year at no cost to Government. In contrast, in the 2015/16 State Budget, the Queensland Government committed over \$1b in public transport **infrastructure** projects alone, including over \$304.6 million for new train rolling stock, to support 175 million trips per year in the South East Queensland Translink network (in 2014/15).

Not only does the taxi industry provide Statewide public transport services at no cost, it actually provides net positive tax revenue to the State Government Budget. This includes:

- Goods and Services Tax (“GST”)
- Licence sales;
- Registration fees and charges;
- Stamp duty on licence transfers;
- Driver registration fees;
- Annual renewal fees; and
- Other fees and charges.

2.6 “Ridesharing” is Illegal Public Transport

“Ridesharing” is included in the Review Terms of Reference. The traditional meaning of “ridesharing” is an established concept analogous with carpooling. It refers to a circumstance where a car journey is shared so that more than one person travels in the car. The benefits to carpooling have long been established in the form of reduced traffic congestion and lower private motor vehicle ownership and operational costs. Carpooling has been incentivised by policy makers around the world through a range of initiatives, including the introduction of high-occupancy vehicle lanes across many cities around the world.

Carpooling is not traditionally defined by a fare-based relationship between the vehicle’s driver and passenger/s. Instead, ridesharing costs are usually shared equally among the occupants on the vehicle on a cost recovery basis. The popularity of carpooling is growing as the internet facilitates greater access. Popular websites in Australia including Carpoolone.com.au, Coseats.com and shareurride.com.au.



RIDE SHARING OR CAR POOLING

Traditional meaning.

Passenger travel in a privately owned motor vehicle involving two or more people (including the driver).

Costs of travel are shared among passengers on an equal or prorata basis.

Cost recovery only.



ILLEGAL TAXIS

A passenger transport service provided by an unauthorised driver.

Fare is charged for travel. Charged on a profit (not cost recovery) basis.

Illegal under current Queensland laws.

Common issue for regulators, particularly in regional Queensland.

Now facilitated by large international corporations.

Figure 4 Ridesharing and Illegal Taxis

However, the term “ridesharing” has also taken on new meaning, since its adoption and widespread use by companies such as Ingo go, GoCatch and uber. However, the fare-based passenger transport services facilitated by these companies is not ridesharing. Instead, these services are illegal taxi services. This view is supported by the recent ATO directive relating to the application of GST to illegal taxi service providers in the country.

These illegal taxi services also represent an illegal and unregulated form of public transport. The continued operation of illegal taxis not only sets a precedent for other illegal passenger transport providers but also calls into question the legitimacy of Government-regulated and in many cases delivered public transport in the State. The operation of illegal taxis is in practice no different to a private company illegally running buses on a high volume and profitable bus route currently managed by Translink and provided by the Brisbane City Council.

It is therefore recommended that the Review not refer to services provided by companies such as Ingo go, GoCatch and uber as “ridesharing” and instead refer to them as they currently operate under Queensland legislation – as illegal taxis.

3.0 Consumer Protection Regulation

3.1 Current Regulatory Environment

The current regulatory environment governing the taxi industry in Queensland is complex.

The principal component of the current regulatory framework is the *Transport Operations (Passenger Transport) Act 1994* (“the Act”). This legislation, passed in 1994, was the product of extensive consultation and engagement by State Government with the taxi industry and produced a legislative framework that remains valid and applicable 22 years later.

The legislation deals with a wide range of aspects of the taxi (and limousine) industry including:

- Operator accreditation;
- Driver accreditation;
- Driver authorisation;
- Taxi service bailment agreements;
- Market entry restrictions;
- Service area contracts;
- Taxi service licences;
- Peak demand taxi permits; and
- Standards and enforcement.

While the Act includes specific provisions, many of the sections delegate power or authority to the Chief Executive Officer or Minister to make regulations under the Act.

The *Transport Operations (Passenger Transport) Regulations 2005* (“the Regulation”) comprise the second component of the regulatory environment governing the Queensland Taxi Industry. The structure of the regulations broadly mirrors that of the legislation, but provides greater detail, particularly where such detail is not included in the legislation itself.

Examples of specific issues dealt with by the Regulations include:

- R53 – limitation on the number of taxi licences that can be held by a single person or associates;
- R54 – the transfer and lease of licences and associated notification to the Chief Executive;
- R62 – establishing that drivers must not refuse “reasonable” hirings;
- R62A – need for a taxi driver to be associated with a booking company;
- R63 (4) – authorising taxi drivers to request a deposit from the passenger if there is reasonable suspicion the fare will not be payable;
- R63 (4) – makes driving in a circuitous or indirect route to the passenger’s destination for the purpose of increasing the fare an offence under the regulations;
- R63B – issues regarding electronic payments;
- R66 – multiple hirings;
- R67 – maximum taxi vehicle ages;

- Div 3 – Substitute Taxis;
- R83 – obligates the taxi operator to ensure all taxis are fitted with security cameras;
- R96AH – obligates the taxi operator to ensure that manual card readers and restricted use slips are available in all cars;
- Div 6 – taxi driver display cards.

In most cases, the regulations establish standard penalties, in the form of penalty units, for non-compliance/adherence to the regulations. This reflects the fact the regulations function more broadly as the enforceable component of the regulatory framework.

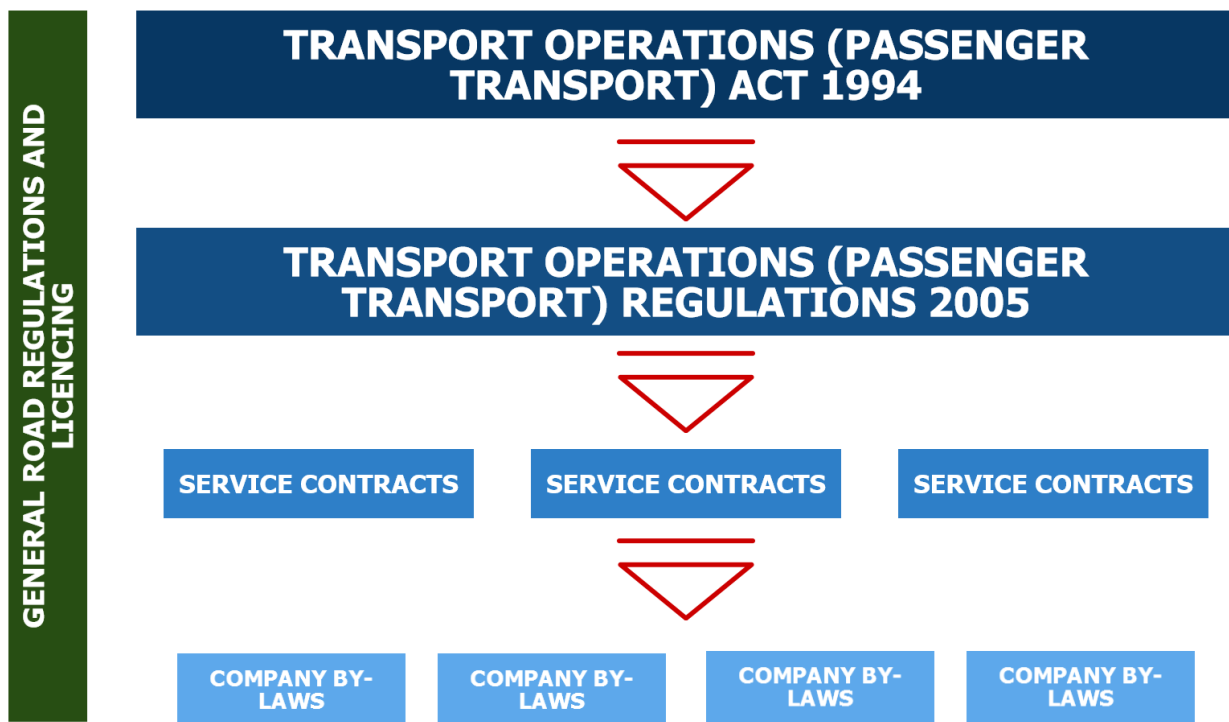


Figure 5 Current Regulatory Framework

The third component of the regulatory framework that is unique to Queensland are the Service Contracts. Any Review of the Queensland Taxi Industry regulations must consider the role that Service Contracts play. Service Contracts are contractual agreements between the Queensland Government and a Booking Company within one of the 20 Service Contract Areas in the State. In the absence of such a Service Contract, a Booking Company cannot operate in a Service Contract Area.

The existence of Service Contracts are highly favourable aspects of the regulatory framework for the Queensland Government as they allow some of the regulatory burden of taxi services to be contractually delegated to the Booking Companies. In this way, the introduction of Service Contracts under the 1994 Act represented partial de-regulation of the taxi industry, shifting some regulation monitoring, compliance and enforcement of regulated standards to the industry under a coregulatory model.

The primary focus of Service Contracts is the establishment of Minimum Service Levels (“MSLs”) for the Booking Company to achieve in the designated Area. However, the Act provides the flexibility for the Service Contracts to impose a wide range of responsibilities on the Booking Company. Section 41 of the Act states that Service Contracts can cover:

- performance outcomes for frequency, regularity, punctuality and accessibility;
- performance outcomes for customer information and service;
- principles for fare setting;
- principles for fare collection;
- performance levels for the quality and type of public passenger vehicles;
- criteria for government payments under the contract;
- require the company to provide or fund infrastructure associated with providing the public passenger service;
- require the company to have or develop a business plan outlining how the performance levels are to be achieved;
- require the company to establish a management information system to monitor, record and report periodically on performance;
- require the company to provide improved levels of productivity;
- provide for the payment of compensation by the holder if the holder contravenes a condition of the contract;
- other terms required by the chief executive.

The exact terms of Service Contracts between the State Government and Booking companies are commercial in confidence. However, the terms of section 41 demonstrate the broad and wide ranging scope that Service Contracts can cover.

The fourth component of the current regulatory frameworks is Booking Company by-laws. Booking Companies regularly impose by-laws on drivers that are associated with them. The purpose of these by-laws is to complement the legislation and regulations, fulfil the conditions under the Service Contract or, in some cases, require a standard of service delivery and performance from a driver that exceeds the regulated minimum. By-laws are company specific and therefore vary between Service Contract Areas. Failure to comply with by-laws can result in suspension or, in cases of grievous or continuous non-compliance by a driver, disaffiliation from the company.

It is the opinion of RPS that there are significant opportunities for reform in the current regulatory framework. While the core of the framework remains sound, the legislation and regulations have become highly complex and in some parts dated. Additionally, there appears to be some inconsistency and overlap between legislative, regulatory and contractual conditions and standards that needs to be addressed. In the first instance, reform should be undertaken to streamline the structure of the regulatory framework and clearly define the role that each component of the framework plays. This may include a greater focus on the use of Service Contracts for the regulation, monitoring and enforcement of service standards, allowing both formal legislation and regulations to be simplified.

3.2 Protecting Consumers, Not the Industry

The regulatory framework of the taxi industry in Queensland is designed solely to protect consumers. Reference in the OPT Review's Terms of Reference of the taxi industry being a protected industry is incorrect. Of all the provisions that exist in the legislation and regulations, only issues of Market Entry Restrictions and the fact only a taxi licence holder can operate a taxi services can be classified as industry protections. However, even these regulations are ultimately design the protect the consumer and ensure the benefits of the industry to the community are maximised and maintained in the long-term.

The consumer protection-focus of the regulations is reflected in the five (5) broad subject areas covered by the regulatory framework. These include:

- Licence supply;
- Fare regulations;
- Driver and vehicle quality standards;
- Geographic distribution;
- Universal service obligations.

These broad subject areas and their role in protecting consumers and maximising net community benefit are outlined in the section below.

3.2.1 Licence Supply

The supply of taxi licences – and therefore taxis – are not specifically capped by regulation in Queensland. However, the Regulation outlines a range of factors that the Minister must consider before authorising new supply under s36 (2) of the Act, namely ensuring that the increase in supply will:

- improve the level and access of service;
- improve service innovation; and
- would better meet the Government's social justice objectives at a lower cost.

This represents a broad net community benefit test, coupled with a financial cost impost test for Government. This approach is appropriate for managing the supply of providers of public transport services in the State.

There are currently 3,261 taxi licences in Queensland, down three (3) from 2013. This number of licences has not been determined arbitrarily by Government; instead Government relies upon the Taxi Licence Model to determine the optimal and sustainable number of licences in each Service Area in Queensland. The Model, devised by SAHA International in 2004 and revised in 2008, estimates demand for taxi services in each Service Area. The model is revised annually for Service Areas in SEQ and biennially in regional areas. If the demand profile has changed, then either more taxi licences are issued or licences are reallocated to a geographic area that has seen an increase in demand.

Commentary from competition theorists and academics regularly claims that limits on the supply of taxi licences results in a sub-optimal outcome for customers and the community. Research from the OECD confirms this view, favouring strict quality control standards over direct supply limitation. Proponents of supply de-regulation claim that removing supply caps will improve quality standards and lower prices, to the benefit of the consumer.

However, the lessons from locations around the world that have undergone taxi supply de-regulations is that the end outcomes from such an approach are, at best, mixed. Examples of outcomes from supply de-regulation include:

- the level of regulation of supply in US cities varies considerably. Studies on several US markets where de-regulation had occurred showed that taxi fares increased after supply de-regulation with the impact affecting smaller operators and drivers the most. A large number of US cities maintain strict supply controls and several cities have re-regulated their taxi industries in response to adverse impacts of de-regulations (including deteriorating service quality, instances of price gouging and extortion and reductions in universal service availability).
- In Japan, taxi fares decreased marginally post supply de-regulation though remained high by international standards. Driver and taxi company profitability declined sharply however and the price decline did not

result in any measurable increase in service demand.

- In Ireland, the de-regulation of taxi supply in 2000 led to an increase in taxi numbers of 541% over the subsequent eight (8) years. During this time taxi demand only increased by 6%. This increase in supply led to a substantial reduction in wait times, particularly at key ranks and locations in Dublin and was initially viewed as a success. However, deterioration in taxi industry productivity and incomes raised concerns regarding long-term sustainability of the current environment. This was borne out post 2008, when economic recession in Ireland saw taxi demand fall dramatically. However, supply was broadly unresponsive to this change in economic conditions and led to an oversupply of taxis in the market. In 2010, Ireland imposed a moratorium of the introduction of new licences and the transfer of existing licences. Consultation with the Irish public in the lead up to the re-regulation of supply also raised serious concerns regarding price gouging, fraud and extortion.
- In New Zealand, taxi supply was de-regulated in 1989. By 2005, the number of taxis in New Zealand had climbed from 2,200 to approximately 7,500. This growth in demand occurred however during a period of declining demand for taxis to which taxi supply did not respond. The sudden growth of taxi numbers saw supply concentrate heavily around key economic hubs (including airports) where traffic-related congestion led to violence and impacted the effective operation of the economy. Service quality has also been a major issue for some time. The compliance and enforcement activities of the Land Transport Safety Authority were reviewed in 1997 and again in 2005 and found that regulators could not adequately monitor and enforce compliance in the industry and made a series of recommendations. By 2007, the majority of these recommendations had not been fully implemented. The structure of the industry has also seen the emergence of taxi companies exercising genuine market power, with larger operators securing deals with airports and other major facilities to secure exclusive taxi ranks at the expense of smaller operators. Overall, studies of supply de-regulation in New Zealand show that after more than 20 years, overall service quality, accessibility or cost is no better than regulated markets in Australia and that issues remain on service quality.

Overall, the international experience is that the de-regulation of taxi supplies generally leads to an increase in fares. Greater supply competition does not lead to price competition as the dilution of the market forces individual taxi operators and drivers to increase fares to maintain commercial viability.

Supply de-regulation can also lead to a significant deterioration in service quality. The absence of strong and strict quality regulations results in attempts by taxi operators and drivers to cut costs to improve viability in an increasingly competitive market, with customer safety systems and technologies often the first to go.

Additionally, supply in a de-regulated market does not appear to be responsive to demand, particularly declines. This market failure reflects a lack of perfect information by taxi operators and drivers in a de-regulated market.



Figure 6 Major Impacts for Supply De-Regulation

Finally, the experiences in New Zealand show that supply de-regulation can result in a significant increase in regulatory compliance burden on Government. The cost and resource requirement of monitoring and enforcement increases in line with taxi vehicle supply and the need for stricter standards, despite demand generally remaining at pre-deregulation levels. The existence of a net benefit from supply de-regulation is therefore highly questionable.

3.2.2 Fare Regulations

Fares and associated tariffs are set by the Government. The rationale for fare regulation is that customers benefit from the certainty that a regulated fare structure provides. This approach is similar to the standardised fare structures used for other forms of public transport, which also use trip length and distance to calculate fares, albeit on fixed routes.

Arguments for the de-regulation of fares are that fares will be lower in a de-regulated or market environment. However, this theoretical argument is questionable in practice. The overview provided in section 3.2.1 revealed that in countries with supply and fare de-regulated environments, fares generally increased. This is primarily due to the fact that fixed costs and high non-productive operating times (i.e. time spent not with a passenger) result in a need for higher fares if a taxi is to remain viable.

Several international examples also highlighted issues of price gouging and extortion by operators and drivers and even proper cartel and market power behaviour by larger operators.

Finally, the need for strict quality standards to be imposed in a supply de-regulated market means that the cost of operating a taxi can often be higher than in a regulated environment. This higher cost base means overall viability is more marginal in the absence of fare increases.

Overall, the lessons learnt from around the world do not support the theoretical and academic claim that fare de-regulation leads to lower fares.

3.2.3 Service Areas

The regulations establish Service Areas across the State. These Service Areas represents zones in which the demand for taxi services are assessed and a local supply of licenced taxis is authorised by Government. In effect, Service Areas operate as designated self-contained markets, in which taxi supply is optimised to meet local demand.

Designating Service Areas is important for both SEQ and regional Queensland markets. In SEQ, designating Service Areas and regulating the distribution of taxis within and across Service Areas maintains universal access to taxis. Where the distribution of taxis is not regulated, taxis tend to concentrate in major economic nodes (such as CBDs and airports) where the concentration of fares is perceived to be higher. However, considering the high level of dispatch work in Queensland (accounting for two in every three trips in 2015) and the demand for taxi services in suburban and other locations, regulating the distribution of taxis ensures that all customers across the wider South East Queensland region have ready access to a taxi.

In regional areas, the small size of major towns and communities means that the market would not provide a taxi service in the town, due to a lack of critical mass of demand and perceptions of risk. By designating these towns and communities as a Service Area and issuing licences, the Government can provide greater certainty to local taxi drivers and operators while ensuring regional communities benefit from access to this essential form of public transport.

3.2.4 Driver and Vehicle Quality Standards

Driver and vehicle quality standards in Queensland are strict and ensure the highest quality service is received by customers.

The regulations provide for a wide range of vehicle standards including vehicle age, type, the incorporation of modern equipment and technology and regular monitoring and certification. Vehicle standards are critically important for the customers as they directly impact the quality of the service provided and the safety of passengers. The regulations also determine the share of vehicles that are WATs, in both metro and regional areas. This regulation has helped to dramatically increase the accessibility of disabled people by providing greater availability of point-to-point public transport services across the State. Finally, vehicle standards help to provide the best possible quality workplace for taxi drivers. Integrated GPS and security cameras not only protect consumers but also taxi drivers who can be the target of fare evasion, abuse, threats and physical violence.

The regulations also outline the process for Driver Authorisation (“DA”) and licensing in Queensland. This process is regarded as critical to ensuring Queensland taxi drivers are of the highest quality and deliver the best service to the community. Drivers are the primary contact point between the taxi industry and the community and the quality of the service offered by drivers is a major contributor to community perception and views of the industry. Driver quality standards are also regulated by the Booking Companies through by-laws and through the delivery of comprehensive driver and operator training.

Consultation with industry stakeholders identified driver availability as a major concern. A lack of drivers means the current taxi fleet is operating below capacity, with potential implications for meeting demand, particularly during peak periods. Driver availability is currently constrained by regulations on the entry of new drivers from select overseas countries, namely India, and the discriminatory approach to what foreign driver’s licences are classified as Australian equivalent.

Driver suitability and performance should ultimately be determined and monitored by the Booking Companies as a term under the Service Contract and the ethnicity or country of origin of drivers should not be

considered. Instead focus should instead be afforded to the experience, character and capabilities for each potential driver, judging each prospective driver on their merits.

3.2.5 Universal Service and Minimum Service Levels

The regulations enshrine universal service delivery and minimum service level standards that are at the core of taxi services in Queensland. The Queensland Taxi Industry is required to provide taxi services at all times (24 hours a day, 365 days per year) to ensure that all Queenslanders have access to a taxi. This guarantee of universal access is a defining characteristic of taxis and separates taxis from all other forms of public transport.

Minimum Service Levels outlined in the Service Contracts between the Government and Booking Companies complement Universal Service Obligations. Section 40 of the Act requires Service Contracts to include Minimum Services Levels and the nature, frequency and extent of services that must be met during a select time period.

Minimum Service Level requirements are increasingly common performance measures for public transport services. This includes services delivered directly by Government agencies or more commonly by the private sector under contract. The main difference between the Minimum Service Levels prescribed in the Service Contracts of Booking Companies and other public transport sectors is that the Government does not provide any compensation or formally procure any service from the Booking Company or taxi industry as party to the contract. Nevertheless, the Minimum Service Levels function in practice like that of other public transport sectors.

3.3 Role of Government

3.3.1 Establishing the Regulatory Environment

Government's principal role in the delivery of taxi services in Queensland is to establish and maintain a simple, flexible, transparent and reliable regulatory framework. This legislative and regulatory role is critical to ensuring all stakeholders in the sector have the necessary certainty to make investment and expenditure decisions essential to the long-term sustainable delivery of taxi services in the State. This is particularly important for the Government in the taxi industry given the reliance on private capital to fund taxi service delivery to the community and the resulting lack of cost burden on taxpayers.

3.3.2 Strict and Consistent Enforcement

Once an effective regulatory environment is established, its rigour and reliability is ultimately determined by the degree and consistency of its enforcement. Enforcement of current regulations in the taxi industry are focused primarily on ensuring industry compliance with registration and licencing requirements and quality standards.

However, enforcement of measures designed to protect the community from illegal taxi operations have been broadly unsuccessful in recent years. The emergence of corporate-backed illegal taxi services represented a quantum shift from traditional illegal taxi services that continue to proliferate in regional communities. Efforts to enforce regulations and impose fines on illegal taxi drivers were initially successful, though financial penalties on drivers proved ineffective in incentivising changes in driver behaviour (with fines paid by the large international corporations facilitating the illegal taxis). Since late 2015 however, enforcement activities have been effectively countered by active and intentional detection and monitoring avoidance program instituted and implemented by the corporations backing illegal taxi operations in the State.

This approach by the corporations backing illegal taxis in the State is an affront to the Queensland Government, its legislative and enforcement rights as a sovereign state and to the people of Queensland who rely upon their Government to protect their interest and enforce the laws equally and fairly to all. Efforts to increase the effectiveness of enforcement activities in the short-term must be supported by the Government while lessons from the current circumstances must be taken and considered as part of any regulatory reform to ensure the future regulatory framework supporting the delivery of public transport services in the State continues to provide maximum benefits for the community.

4.0 Innovation in the Taxi Industry

4.1 A History of Innovation

The Queensland Taxi Industry is recognised as one of the most innovative and progressive in the world having pioneered a range of technologies and business and service models that have enhanced customer and driver protections and delivered higher quality, more accessible and more flexible services to the community.

Major innovations pioneered by the Queensland Taxi Industry in partnership with the Queensland Government include:

- Maxi-taxis;
- Integrated GPS;
- EFTPOS in vehicles;
- premium taxi services; and
- taxi rank marshals.

However, no industry can rest on its laurels and the history of innovation in the delivery of taxi services does not guarantee continued innovation into the future. A review of the industry in Queensland indicates that while it continues to lead the nation, further innovation is required to respond to a range of trends and challenges in the future including:

- changing demographics (namely ageing);
- changes in consumer behaviour and expectations; and
- the availability of new technologies and systems.

4.2 Apps are “Old” Technology

When considering innovations in the delivery of taxi services, focus must be afforded to major changes that yield significant and substantial improvements in the quality, accessibility and value of services offered to consumers.

App-based booking, dispatch and payment systems, which currently receive significant attention in the media, are not regarded as major innovations and are instead increasingly regarded among technology and innovation commentators as standard technologies.

The first apps appeared almost eight (8) years ago and are now ubiquitous across most sectors of the economy. This includes the Queensland Taxi Industry, where a number of dispatch and booking apps have been progressed and released to the public. These apps continue to be developed and are advantageous in that they are usually fully integrated with highly sophisticated fleet management and dispatch software programs that underpin modern taxi service delivery in the State.

Improvements continue to be sought in the development of these apps and efforts should be focused on incorporating app-based payment options to respond to changing consumer patterns and behaviours. However, these changes require a supportive regulatory framework and a proactive and engaged Government to drive the adoption of dispatch and booking apps across the State, including in small markets.

Efforts to develop an Australia wide taxi dispatch app – iHail – to help the taxi industry compete against corporate-based illegal taxi operations were dealt a setback in October 2015 when the Australian

Competition and Consumer Commission (“ACCC”) released a draft decision on the app suggesting its introduction would be detrimental to competition in the taxi industry in the long-run. This did not reflect the concept of the app itself and instead reflected the involvement of a number of major taxi companies from across Australia. The fact that this attempt by the taxi industry to compete with corporate-backed illegal taxi operations has been stalled points to the existence of a risk-averse regulatory environment and a lack of consideration by decision makers of public interest and community benefits in the development and application of taxi regulations.

4.3 Driverless and Autonomous Vehicles

Instead of focus on the short-term implementation of app, the OPT Review should focus on long-term technological innovations. An example could include the expected emergence over the next twenty to thirty years of driverless and autonomous vehicles. Major investments are being made globally in the research and development of driverless vehicles leveraging improvements in sensors, GPS and wireless broadband technologies.

Examples of research and investment in autonomous and driverless vehicles includes:

- Nissan announced in late 2015 is currently testing an autonomous car prototype in Japan. Faced with rapid population (and taxi driver) ageing and expected spike in taxi demand, Japanese researchers are heavily focused on the development of an indigenous, locally made driverless car. The Nissan prototype includes two levels of drive autonomy – Piloted Driving and Intelligent Driving – and it plans to release vehicles capable of autonomous driving to the market before 2020.
- In early 2016, US car maker General Motors invested US\$500 million in Lyft – a Booking Company operating in the US that uses app-based dispatching software similar to corporate-based illegal taxi operations in Queensland – with a focus on building a fleet of driverless vehicles for use by Lyft in the future.
- The Australian Driverless Vehicle Initiative (“ADVI”) is a cooperative research and development initiative involving industry, academics and researchers to develop and adopt driverless vehicle technologies in Australia. The ADVI recently sponsored the first successful test of a driverless car in Australia in Adelaide. The tests, involving Volvo XC-90s involved automatic lane keeping, adaptive cruise control and active queue assist. This trial was part of the Swedish program by Volvo to have 100 driverless vehicles operated by ordinary people in a town in Sweden by 2017.

Driverless vehicles would represent a transformative innovation for the taxi industry. While it is questionable whether driverless taxis would ever mean there would be no one present in the vehicle (for damage deterrence, passenger safety and medical response reasons), the shift to driverless vehicles in the long-term must be considered as part of the OPT Review.

4.4 Innovation in Taxi Services and Business Models

TCQ and RPS believe the OPT Review must consider innovations beyond technologies. The innovations with the greatest potential impacts on the community are likely to be service and business model innovations. Historical examples in the Queensland Taxi Industry include premium service and maxi taxis, both of which were a response to needs in the market and changing consumer preferences.

The identification and implementation of new business models and services however requires a flexible and supportive regulatory framework. The OPT Review must consider how the legislation and regulations of the taxi industry in Queensland strike the balance between providing all stakeholders (including customers) with certainty and the need for flexibility in the development of new services for customers.

Key to striking this balance is a paradigm shift in the regulations to prescribing desired outcomes, not processes or approaches. This shift can be achieved more readily in Queensland than in other States given the existence of Service Contracts with Booking Companies and the flexibility this could provide to ensure business and service model innovation occurs while maintaining the highest quality and service standards for the community.

5.0 Path for New Entrants

There is currently no regulatory prohibition on a new party becoming a Booking Company in Queensland. The Minister is authorised under the regulatory framework to enter into a Service Contract with any party looking to become a Booking Company, if doing so is in the best interest of the community and does not result in increased costs for Government.

Historically, issues of market size and commercial viability have been the greatest constraints. Previous taxi companies operating in the Brisbane (in addition to the current two incumbents) have failed due to poor commercial viability. RPS estimates that a fleet of approximately 800-1,000 vehicles is required per Booking Company in order to ensure fleet efficiency and distribution is optimised and universal service and minimum service level obligations are achieved. There are currently a total of 1,857 licences in the Brisbane Service Area, suggesting the Area is sufficient to support two companies in the short-to-medium term.

However, it is important that the legislation and regulation foresee the potential need over the next 20 years for new Booking Companies to be established across the State. Growth in taxi demand from population growth and ageing, coupled with the potential impacts of new technologies on fleet management efficiencies and costs, means that new Booking Companies may be required during this time.

In such a case, it is essential that any new entrant to the Queensland Taxi Industry operate within a robust regulatory environment. Such compliance is necessary if they are to be afforded the necessary trust and confidence to provide an essential public transport service for the benefit of the Queensland community.

It is therefore recommended that any new entrant that any Booking Company seeking to dispatch taxi work in Queensland be required to enter into a Service Contract. This approach provides a clear path for new parties to enter the sector, while ensuring the Government continues to benefit from the regulatory oversight and consumer and community protections that Service Contracts afford.

Equally, it is important that the establishment of a new Booking Company in any Service Area should not be used as a reason for undermining current effective licence supply regulations. Any new Booking Company should be required to compete in the market to attract drivers and operators within the current supply of licenced taxis. This way the level of choice to consumers between Booking Companies and associated fleets is increased without affecting the underlying efficiency and sustainability of taxi services relied upon by Queenslanders.

Finally, it is essential that the universal accessibility and quality of taxi services be maintained and even enhanced with the entrance of a new Booking Company to a Service Area. Regulations governing vehicle quality, livery and identification, WAT vehicle shares, driver training and lost property all apply. This ensures that new entrants to the Queensland taxi industry build upon the long-tradition of taxis providing essential public transport services to the community, rather than servicing only niche (and potentially more profitable) segments of the demand.

6.0 Need for Evidence-Based Regulatory Reform

Recommendations for regulatory reform of the Queensland taxi industry must be based on rigorous evidence and analysis if they are to be effective and yield benefits for the community. Focus must continue to be placed on ensuring consumers are protected and that the benefits of the industry are maximised and maintained in the long-term. Where possible, lessons from around Australia and the world must be taken into consideration, so that Queensland can build upon its regulatory success of the past 20 years and ensure regulatory reforms provide real and tangible benefits for the community.

To support the development of a comprehensive submission to the OPT Review, TCQ has engaged transport economists from RPS to undertake detailed research and compile technical analysis and evidence on the Queensland taxi industry, community benefits and impacts, global case studies and reform options and scenarios.

Key tasks to be undertaken by RPS as part of TCQ's submission to the review include:

- Industry stakeholder consultation and workshops across Queensland:
 - » Brisbane Metro North (Completed)
 - » Brisbane Metro South (Completed)
 - » Ipswich (Completed)
 - » Gold Coast (Completed)
 - » Sunshine Coast
 - » Toowoomba
 - » Hervey Bay/Maryborough (Completed)
 - » Bundaberg
 - » Cairns (Completed)
 - » Townsville
 - » Mackay
 - » Rockhampton (Completed)
 - » Gladstone (Completed)
 - » Mount Isa
- International research tour to meet with regulators and operators in each of the following locations:
 - » San Francisco, USA
 - » New York City, USA
 - » London
 - » Singapore
- Review of current demand modelling relied upon by the State Government for assessing licence numbers;
- Review of current theoretical taxi supply and key factors impacting practical utilisation and capacity;
- Analysis of financial issues impacting the industry including cost structures, licence values and the impacts of regulatory compliance;
- A review of potential innovations in the taxi industry, with a focus on both technological adoption and implementation and business model and service delivery opportunities;
- Assess the net community benefit of taxis in Queensland communities and the economy including direct and indirect economic, social and environmental benefits; and
- Assess different regulatory reform options, including identification of cost implications to the State Government and assessment of risks to continued service delivery to the community.

TCQ will provide the outputs of this research and evidence to the Review as part of the comprehensive submission.