

Technical Input for Taxi Industry Strategy Plan



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Prepared for

Department of Transport and Main Roads

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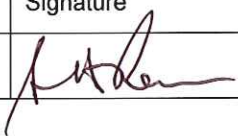
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Executive Summary

The Queensland Department of Transport and Main Roads (TMR) engaged AECOM to provide advice in the development of a strategy to:

- Build public confidence in the taxi industry and its ability to respond to customer needs;
- Improve the industry's viability; and
- Improve public transport outcomes in general.

A number of reasons were identified for developing the advice, including:

- The knowledge that reviews for the need of additional taxi licences are done routinely in larger areas, but sporadically in smaller areas;
- The view that the reviews of licence numbers currently carried out on an area-by-area approach would achieve better results if done as a broad state-wide review, where variations in circumstances and population needs could be addressed through a tiered approach;
- Anecdotal evidence suggesting that the Taxi Council of Queensland (TCQ), currently TMR's primary point of contact, did not adequately represent stakeholders in the industry, in particular drivers;
- A sense that TMR has in the past reacted to issues, rather than being innovative and forward-looking; and
- The view that TMR's operational knowledge of the industry is lacking.

TMR expected that development of the strategy would involve consultation with representatives of the industry and interested Government departments, a review of the data available of industry performance and be informed by lessons learned from similar action in the international taxi industry. The initial set of interviewees proved insufficient, because as word spread, many more members of the industry asked to be heard, particularly from stakeholders who are currently feeling disenfranchised. The data available on industry performance proved inadequate for the purpose, and considerable original data was sourced from the industry to support review of issues and options.

In many ways the Queensland taxi industry is a success. The industry delivered more than 90 million passenger trips and earned revenues of almost \$900 million in 2008. It carries more passengers per capita than any State except New South Wales, despite having the second lowest number of licenses per capita in Australia. Records show that the industry is meeting its service level targets, and despite popular opinion, surveys seem to indicate that quality of service is relatively high. The industry has been an early adopter of technology, and customers were able, for example, to use EFTPOS and dockets to pay for trips well before many other jurisdictions.

It has become clear, however, that this is an industry under considerable stress. Assessments carried out as part of the development of this strategy indicate that:

- Two stakeholder groups (the EFTPOS service provider, and the dispatch companies) have a dominant role in the industry;
- The average earnings per hour of drivers is below Federal Minimum Wage;
- Operators, who supply the vehicles and manage the fleets, are barely able to cover their costs;
- License owners in Brisbane have become passive investors and pay no active part in the industry; and
- The current methods used to manage licenses have resulted in significant unnecessary costs being imposed on customers.
- Drivers and operators feel that they have inadequate representation, because the peak body for the industry is controlled by the dispatch companies, who are also the majority on the new Minister's Advisory Committee.

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QT offered a vision of growth for the industry, which survived the consultation phases. The suggested vision is:

"More people, using more taxis, more often"

Consultation using this theme identified a range of impediments to achieving growth, opportunities to recover market share recently lost to other private transport providers and potential new markets into which to expand.

This document presents the themes represented in the large number of issues raised during consultation, and, after a review of strategies adopted elsewhere, presents the strategies that can be considered by both industry and TMR for achieving sustainable industry growth in Queensland.

In broad terms, the strategies available involve:

- **Protecting market share** that is being eroded by other private sector transport operators, and competing more effectively in those market segments to achieve long-term growth for the industry;
- **Extending into (relatively) new markets** by pursuing integration opportunities with public transport operations;
- **Pursuing a range of opportunities to improve the financial position of drivers and operators**, which in turn will put them in a better position and have better incentives to offer innovative services to customers;
- **Improving driver quality and performance management**, to improve the quality of service offered to customers;
- **Improving participation and representation of all stakeholders** in the industry;
- **Revising fare structures** and management;
- **Improving the physical infrastructure** used by the industry, so as to improve customer service; and
- **Removing or mitigating impediments to industry performance** or growth.

The most significant issue in the industry at present is the poor level of returns available to drivers and operators, which is the result of the structure of the industry. Drivers deliver the industry's services to customers, and cannot be expected to focus on service quality if they are working long hours for very low earnings. Any sustainable growth strategy must address this issue – if the issue cannot be resolved, any growth strategy will be tinkering, and will not deliver the outcomes sought.

This document therefore presents a possible implementation plan for the industry, which requires action by both TMR and industry stakeholders on behalf of the State (for the regulatory changes needed).

Successful implementation is achievable, given the will by all parties to deliver the changes needed. The outcome will be substantial growth in the industry as a result of expanded services provided to a larger customer group, and sustainable returns available to all stakeholders.

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1.0 Introduction to the Strategy

This strategic plan was prepared at the request of Department of Main Roads (TMR) and its development was funded by TMR. The request was made following an apparent decrease in public confidence in the taxi industry over the previous eighteen months, presumed to be a result of regular fare increases and a decline in the quality of service offered by drivers. TMR's original objectives were to build confidence in the industry and its ability to respond to customer needs, improve its viability, and have a positive impact on public transport in general.

TMR identified a number of reasons for undertaking the development of a strategic plan, including:

- The knowledge that reviews of taxi service areas to determine the need for additional licences was being done routinely in larger areas, but sporadically in smaller areas;
- The view that the reviews of licence numbers currently carried out on an area-by-area approach would achieve better results if done as a broad state-wide review, where variations in circumstances and population needs could be addressed through a tiered approach;
- Anecdotal evidence suggesting that the Taxi Council of Queensland (TCQ), currently TMR's primary point of contact, did not adequately represent drivers, which had forced TMR to consult more widely and increased the difficulty in reaching agreement on future direction;
- A sense that TMR has in the past reacted to issues, rather than being innovative and forward-looking; and
- The view that TMR's operational knowledge of the industry was lacking (which was to be addressed via the current generation taxi service contract implemented for 2009).

The strategic plan was intended to be released for public consumption, provide direction through to 2020, and provide a detailed work plan for the first five years to 2015.

A number of issues were thought to be affecting the performance of the taxi industry, and TMR expected that they would be addressed during development of the strategy. These issues were considered to fall into a number of categories, including:

- | | |
|--|--|
| • Driver standards; | • Fares and pricing; |
| • Customer service; | • Relative operations of taxis and limousines; |
| • Safety; | • Fleet mix and capability; |
| • Regulation; | • Booking company market entry restrictions; and |
| • Innovation / entrepreneurship; | • Compliance. |
| • Service gaps between traditional taxi services and other public transport; | |

Deregulation of the industry and the current bailment relationship were specifically excluded from consideration, and there was no requirement for marketing and communications involvement during the initial stages of development of the strategic plan.

TMR's expectation was that strategy development would involve:

- Researching strategic and future directions in the international taxi industry;
- Examining the range of activities undertaken by TMR in relation to taxi regulation and the impact of these on the working of the taxi industry in Queensland relative to experiences in other parts of the world;
- Discussing the future of the Queensland taxi industry with officers in TMR and other departments, and with taxi industry representatives;
- Using the results of the discussions and research to develop a strategic plan for the Queensland taxi industry;
- Developing an implementation framework to facilitate the industry in moving towards the agreed vision, and an action plan to direct activities up to the end of 2011 to achieve the objectives of the strategy; and
- Presenting the findings to the key stakeholders responsible for implementing the strategy.

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The original interview list provided by TMR for consultation included representatives of key stakeholders in the industry, but the list grew rapidly as word spread and other participants requested an opportunity to be heard. Given the state of the industry as we found it, we have done our best to enable the majority of these requests to be met. In many cases, follow-up meetings were also required to confirm or explore further issues raised.

Many of the interviewees requested anonymity, which we have chosen to honour. There is therefore no list of interviewees attached to this document, and we have not attached to this document any means of referring comments made or information provided back to the source.

We have attempted to locate and use factual data where possible to instruct and provide rationale for decisions on strategic options. Reliable, useful data is currently difficult to obtain, however, and in many cases we have had to rely on judgment. The lack of data to support effective decision-making is a significant issue for the industry.

This document provides the strategies we recommend be adopted to improve industry performance, together with supporting rationale, background and data where possible. More detailed references to issues raised and options considered is provided as an attachment.

We have received valuable contributions from people interviewed, and many went to some trouble to obtain and provide data in support of their views, some of which we were unable to use because we could not adequately guarantee authenticity.

This document is not a review of the industry or of the regulations – many such reviews have been carried out in Australia and elsewhere. This document presents a strategic plan, and as such does touch on regulatory issues, but strictly from the objective of improving industry performance for the benefit of its customers. TMR has therefore been treated as one stakeholder, although one with a specific relationship and responsibility to the other stakeholders, and the strategic plan presented in this document is intended for use and preferably adoption by all stakeholders.

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2.0 The Current State of the Industry

The taxi industry in Australia is considered by most local stakeholders to be at the forefront of the international industry. It is considered to:

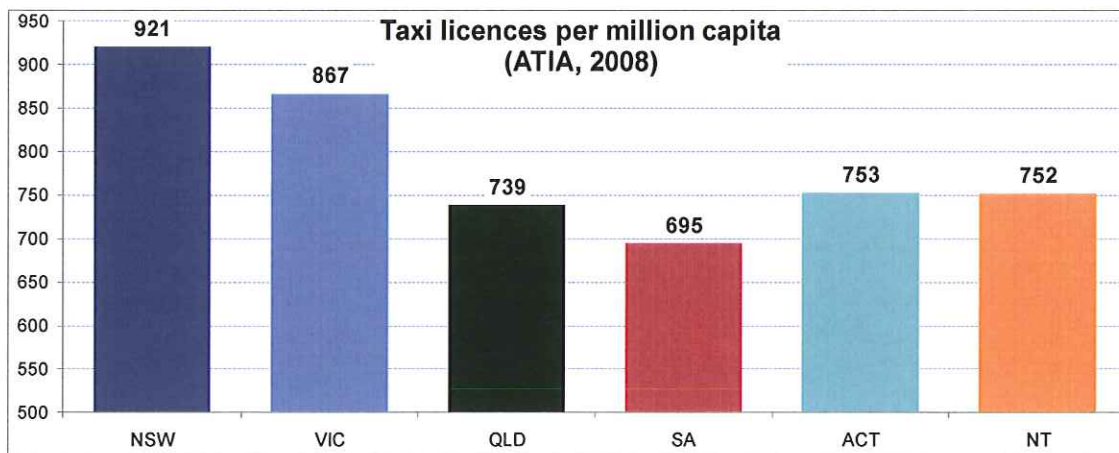
- Provide high levels of customer service, including response times and cab availability;
- Have been a leading adopter of new technology, if not an innovator (specifically in relation to the use of EFTPOS facilities);
- Operate at a competitive cost level (for customers); and
- Have a good safety record for customers and drivers.

This section aims to set the scene for later discussion of issues and options to resolve them, by providing a fact-based overview of the industry and its current performance in Queensland, as far as that is possible. As is noted among the issues in the next section, there is a scarcity or absence of reliable data in many areas, which means that it is not always possible to be definitive at this point in time.

2.1 The Queensland Taxi Industry Relative to the Rest of Australia

The most useful source of inter-State comparisons is the Australian Taxi Industry Association (ATIA).¹

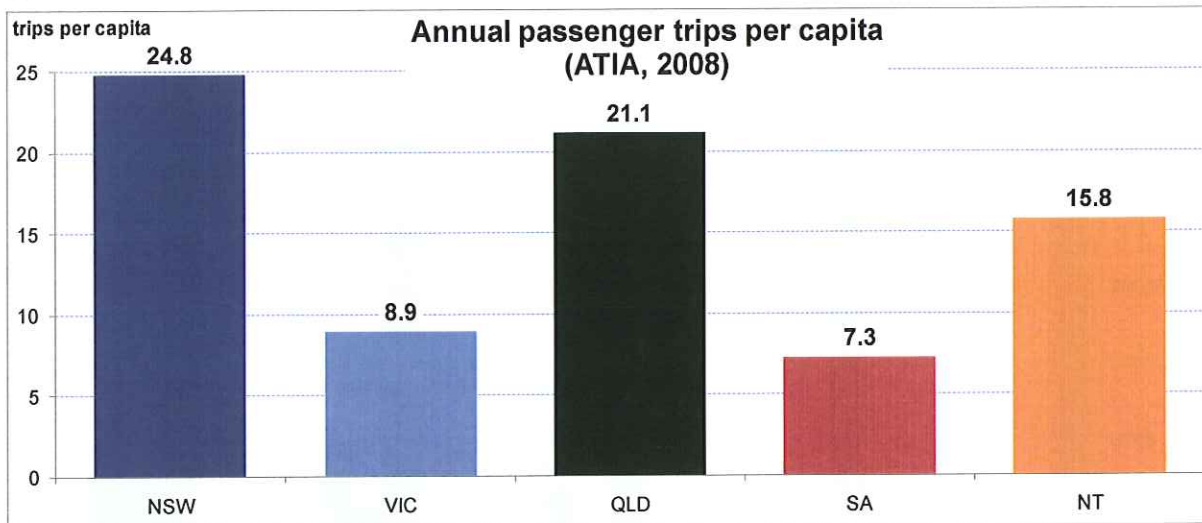
Figure 2-1 Taxi licences per million capita, by State



¹ Data summaries provided by the ATIA are derived from averages based on assumptions that ATIA has not been able to demonstrate as being correct. TCQ refused to provide access to the original data, but in the absence of any other alternative we have used ATIA data in this section. The calculated totals are likely to have been derived in the same way for all States, and therefore a comparison between States should be instructive, even if the absolute data is unreliable.

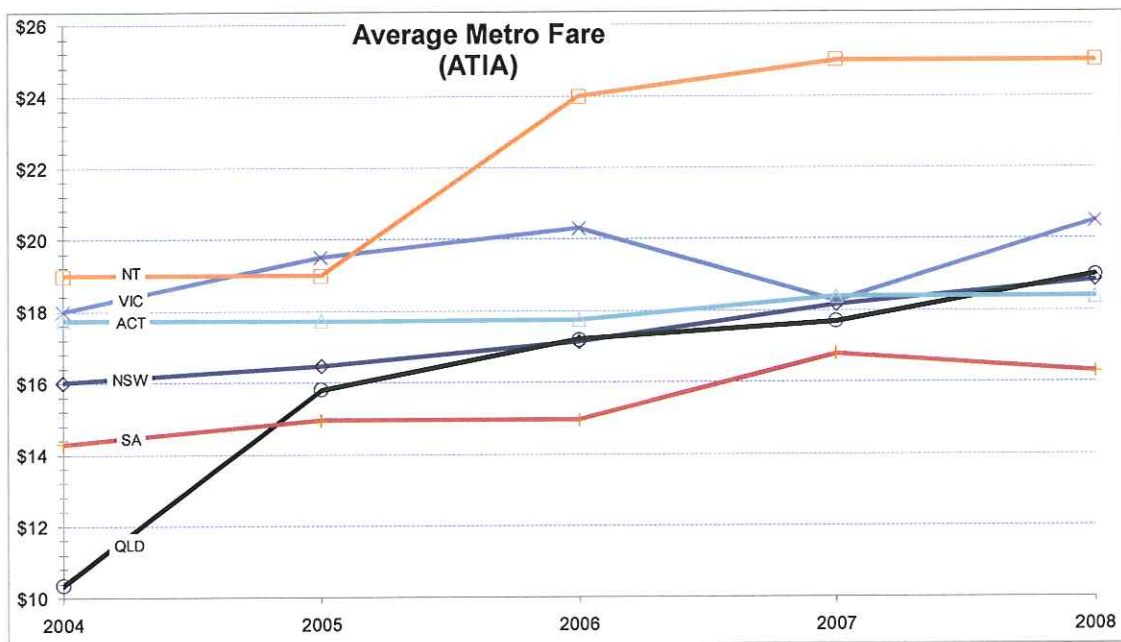
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Figure 2-2 Annual passenger trips per capita, by State



According to ATIA data, Queensland had the second lowest number of licences per head of population (Figure 2-1), but the second highest number of passenger-trips per head of population (Figure 2-2). If the reported data can be believed,¹ then Queensland appears to lead the nation in terms of passengers carried per vehicle – a positive and creditable outcome for the local industry.²

Figure 2-3 Trend in average metro fare, by State (nominal dollars)

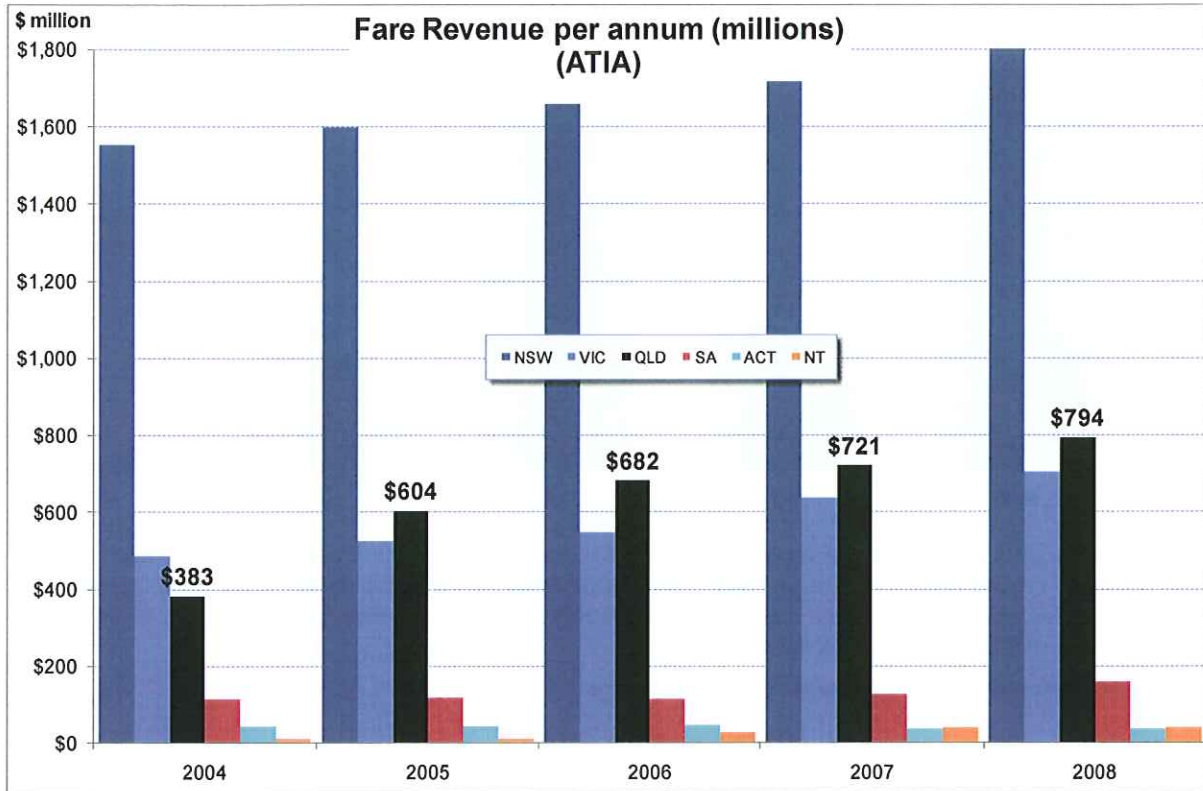


Average fares have trended upwards during recent years, more or less in line with inflation, and Queensland fares remain comparable with the other States except the Northern Territory (Figure 2-3).

² The ATIA data suggests that Queensland taxis carry more passengers per trip and complete a greater number of trips than all States except NSW. We regard the source data as suspect, however, and are therefore using it with caution.

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Figure 2-4 Estimated revenue from fares per annum, by State



The total revenue from fares in Queensland has apparently doubled in the past four years, according to ATIA estimates, and the total value of the local taxi industry is now greater than it is in Victoria, which, if the estimates are to be believed, is an outstanding result (Figure 2-4).

Driver earnings, however, are a significant issue. Many States, including Queensland, have experienced 100% shift coverage since 2008, so taxis are effectively on the road all the time.³ Full shift cover means that vehicles are on the road even during night hours when demand for services is low.

Average driver earnings (excluding GST) are below the Federal Minimum Wage in all States except NSW and the Northern Territory, implying that more than 50% of drivers in Queensland earned less than minimum wage in 2008 (Figure 2-5).

It should be noted that the older data shown is likely to be under-stating driver earnings, because many States experienced driver shortages in earlier years, and therefore did not have full shift coverage. We have not been able to estimate driver earnings reliably during that period, but anecdotal evidence suggests that average incomes have dropped in recent years.

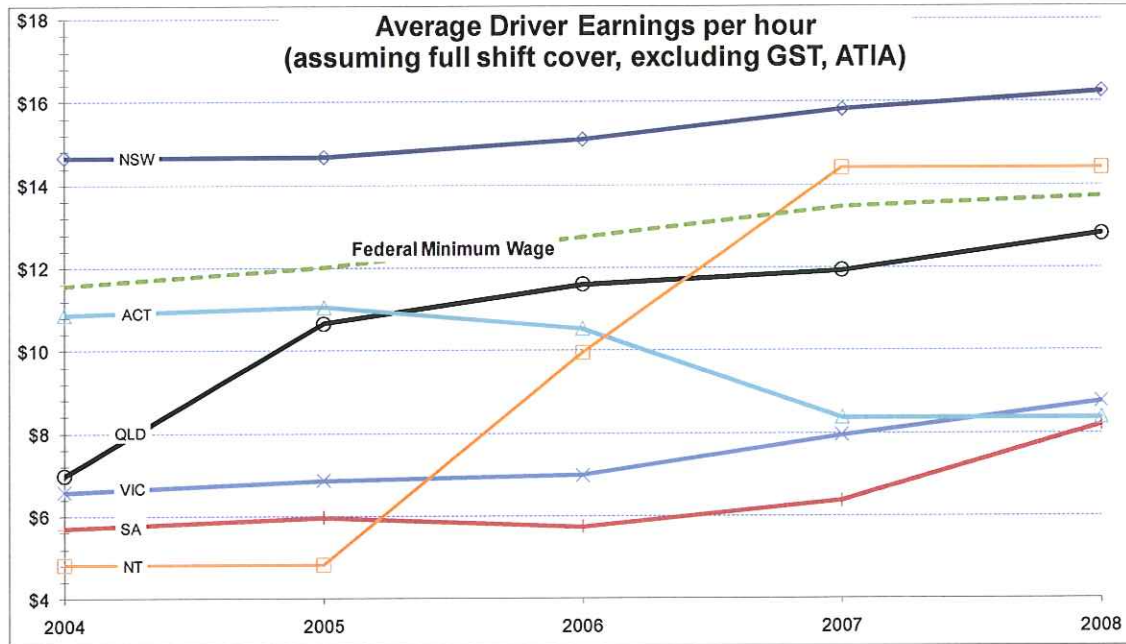
From interviews we have been advised that driver and operator earnings have dropped further in 2009, as the economic downturn reduced demand while full shift cover has continued (in Queensland).

The effect of low hourly earnings on drivers is an increase the total number of hours worked, to maintain a liveable income. We understand that in order to achieve this level of income, drivers and operators have to supplement their taxi income by working second jobs.

³ Assuming that full shift coverage is 22 hours a day for 355 days a year (90% utilisation). Full shift cover has only been in place for a couple of years, since entry restrictions for drivers were eased by the Federal Government.

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Figure 2-5 Trend in average driver earnings per hour, by State

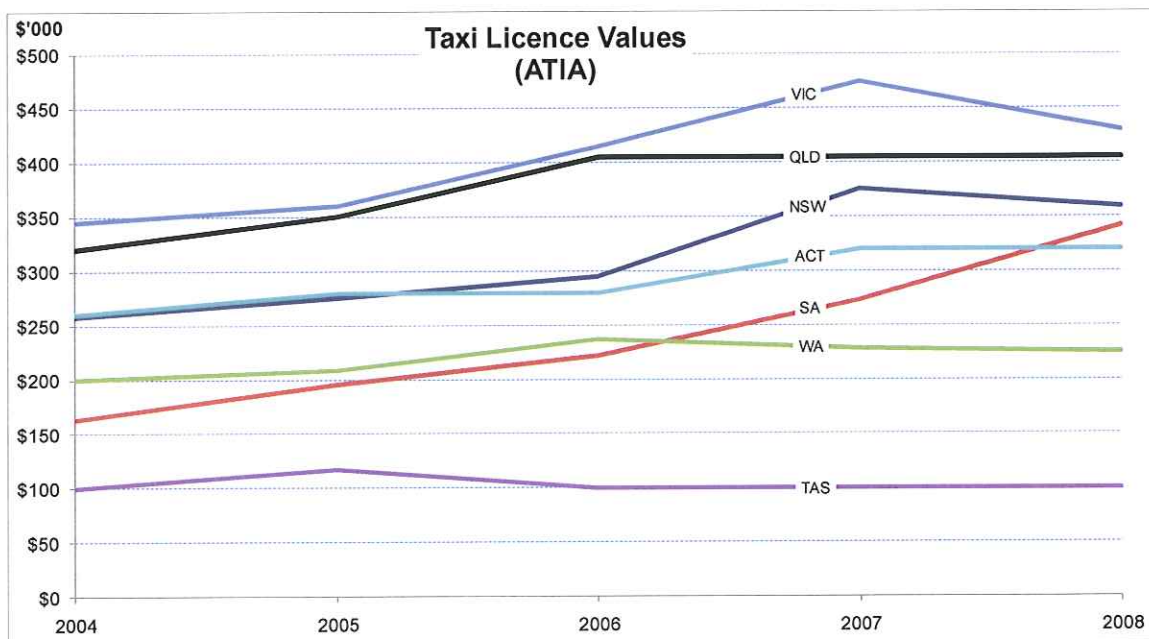


Finally, ATIA data suggests that average licence values in Queensland are the second highest in Australia (Figure 2-6). High licence values imply higher lease payments to licence owners, which is a cost borne by drivers and operators in an industry where fares are controlled by regulation.

The data also shows rapid growth in licence value in South Australia – that State currently has the lowest number of licences per capita (Figure 2-1), and restricted supply would be expected to drive up values.

The Northern Territory has bought back its taxi licences, so Figure 2-6 does not have a trend line for the Territory. Fares are also relatively high, so the Northern Territory is now one of two States where driver earnings appear to be above minimum wage. The taxi industry in the other State, New South Wales, is far more reliant on rank and hail work than the other States, and the industry has the highest number of passenger trips per capita in Australia.

Figure 2-6 Trend in licence value, by State



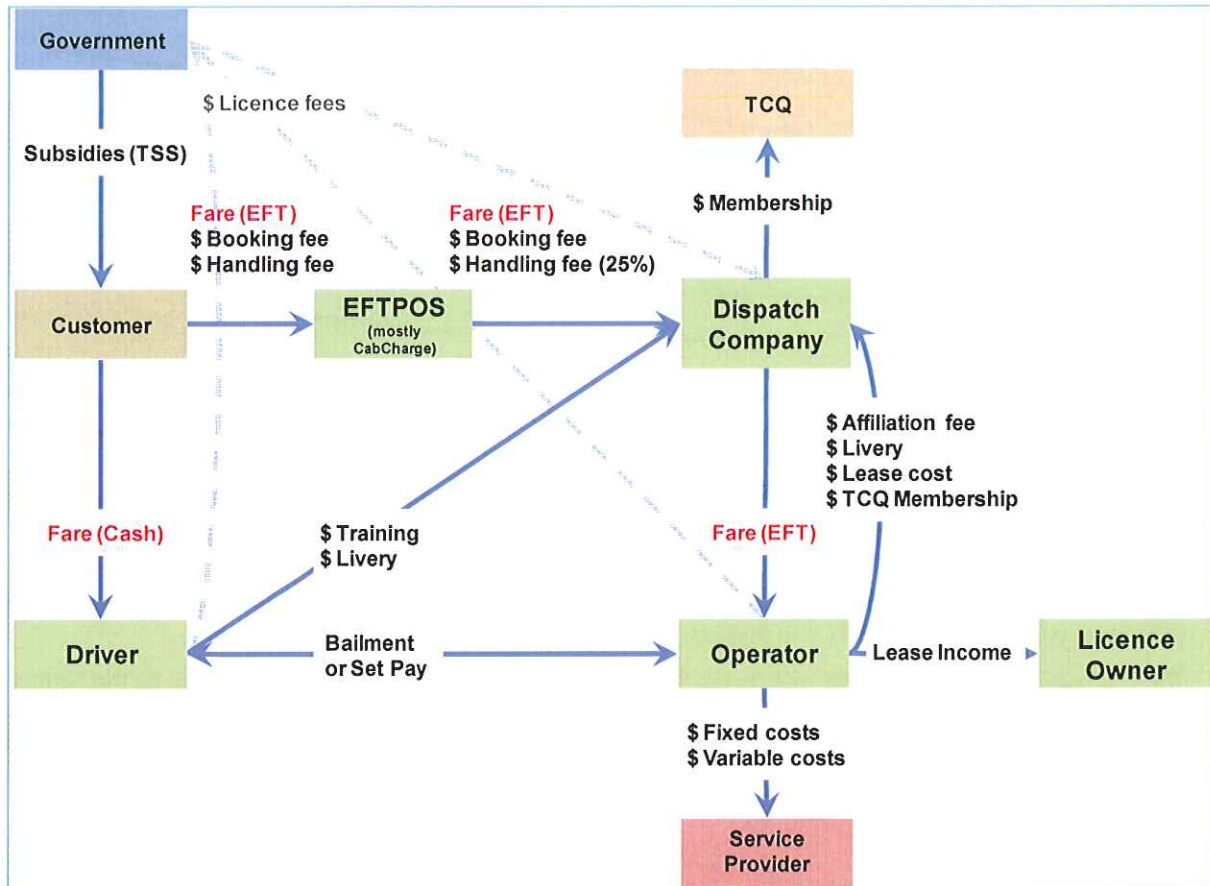
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2.2 The Structure and Stakeholders of the Queensland Taxi Industry

The nature and role of the stakeholders in the local taxi industry are not widely understood, so this section provides an overview of the structure and a brief commentary on the main stakeholders.

The roles in the industry are represented in Figure 2-7, with the principal stakeholders shown in green.

Figure 2-7 Industry structure and interaction



The movement of money is treated in detail separately, in Section 2.5. In summary, approximately 50% of fares on average are paid in cash, and since the bailment in Queensland is usually 50% (where it is being used), the driver retains the cash and there is a settlement with the operator at the end of each shift so that the driver is paid in full immediately in accordance with the bailment agreement.

The non-cash fares are transferred by an EFTPOS provider (almost universally Cabcharge, in Queensland) to its agent (Yellow Cabs, in Brisbane), which finally pays the operator the remainder of the fare. Cabcharge has a merchant agreement with its agents, but not generally with individual operators, who appear to have no legal right to fares paid via EFTPOS. These arrangements give the agent a great deal of influence over operators, who in general appear not to have the financial resources to stay in business very long if there were to be an interruption to their EFTPOS cash flow.

The operator pays a monthly lease fee to the owner of each licence being operated (and a fee to the dispatch company if operating a sub-lease), and a monthly affiliation fee to the dispatch company. Operators also pay TCQ membership on behalf of the licence owners

Drivers, operators and dispatch companies must be licenced by TMR, and vehicles are subject to regular inspection by TMR or its agents.

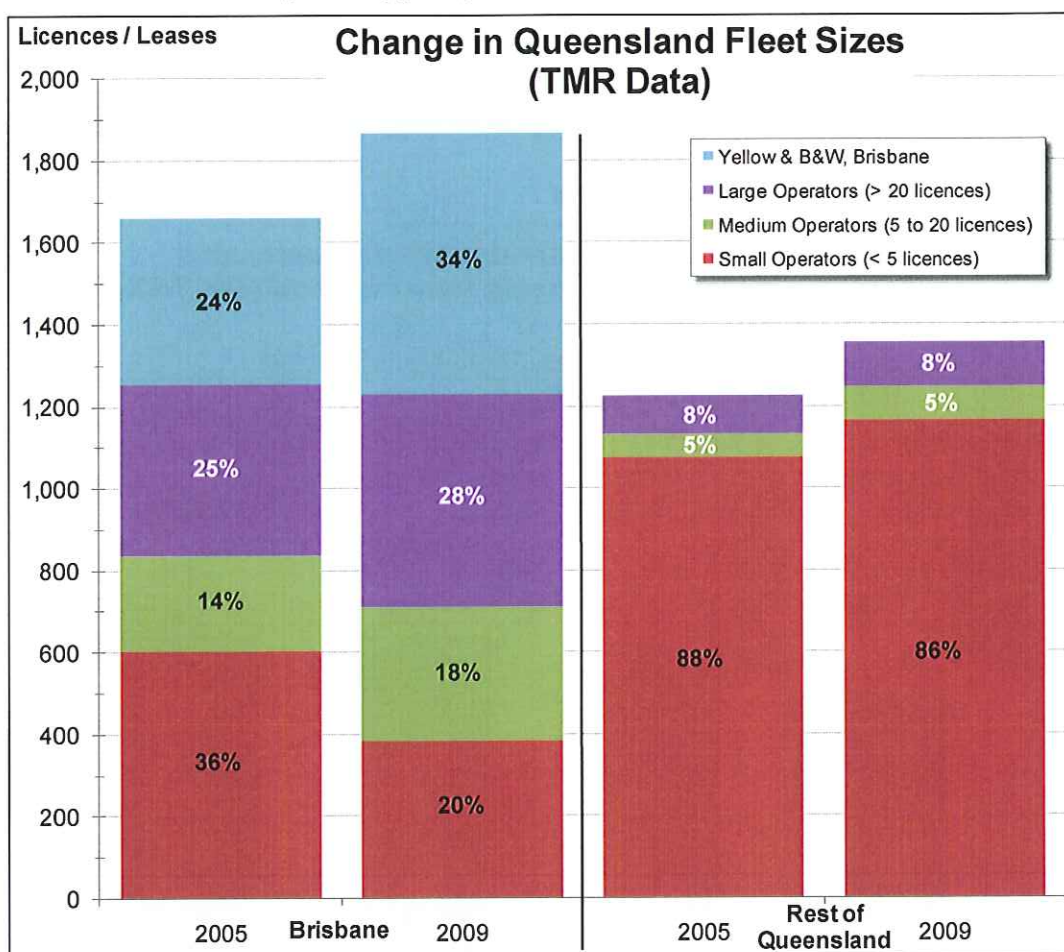
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- Operators (run fleets of vehicles and engage drivers)**

Operators must be accredited, and use their own licence and/or leased licences to run fleets of taxis. They generally own their vehicles and pay all vehicle-related costs, along with a monthly fee for every lease they own, and affiliation fees for every vehicle to a dispatch company. Vehicle costs are largely fixed (other than fuel and running maintenance), so the operator has an incentive to keep the vehicle on the road as much as possible (some revenue is better than no revenue).

Operators engage the drivers, and many also drive.

Figure 2-8 Queensland taxi fleet by fleet size (operator)



The Queensland fleet has grown over recent years, especially in Brisbane, which is now home to 58% of all the State's licenced taxis. The fleet make-up has also changed – the two dispatch companies now control more than 34% of all licences in Brisbane, having acquired leases from small operators and owner-drivers. Some of these leases are operated by the dispatch companies, but many are sub-leased to independent operators.

Taxi fleets have tended to consolidate, presumably to realise economies of scale, so that small operators (with less than 5 vehicles) now make up only 20% of the Brisbane fleet (Figure 2-8).

Operators will have either a bailment agreement with their drivers, which specifies that 45% of fares are retained by the driver, or a 'set-pay' arrangement, where drivers pay a fixed fee for the right to use a vehicle for a shift. There is currently an excess of drivers, which means that operators can:

- Find a driver for all shifts and can therefore have every vehicle on the road for every shift, including the slow parts of the day;

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- Require drivers to bid for each shift, with the driver offering the highest 'set-pay' being given the car. This clearly passes business risk to the drivers, who only retain their earnings above the cost of the 'set-pay'.

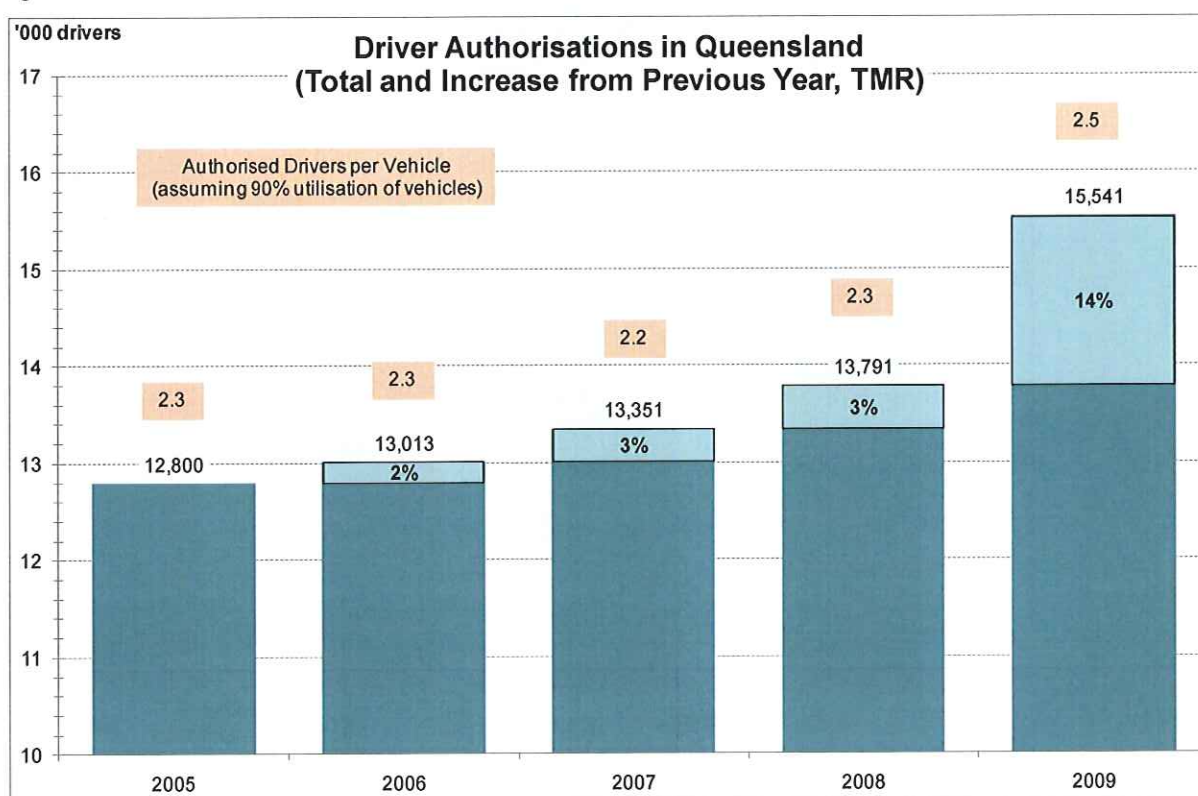
It appears that it has become more difficult for operators to run a taxi fleet and achieve a satisfactory profit (refer to Section 2.5), and operations have reported that they need other sources of revenue.

- **Drivers (drive taxis as self-employed individuals for a fee or revenue share)**

Drivers must have authorisation (from TMR) to drive, and new drivers require training (provided in Brisbane by Yellow Cabs).

They are hired by operators, who are therefore the only stakeholder with any direct influence over their performance (operators can choose not to use a particular driver). Dispatch companies have no direct influence on drivers, but despite that, appear to be held accountable for driver performance, and have found that they can exert control by fining drivers or by disconnecting them from the network (actions that they may not have authority to take).

Figure 2-9 Authorised driver numbers in Queensland



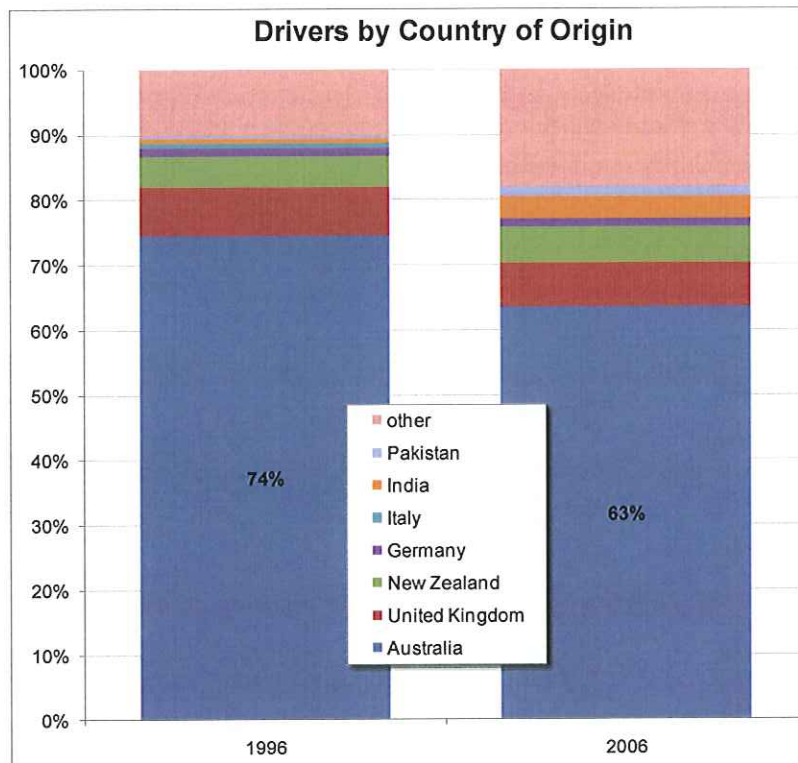
Driver numbers increased more or less in line with licence numbers until the 2009 year, which saw an increase in authorisations of 14%, while licences increased by only 3% (Figure 2-9).

A recent relaxation of entry restrictions by the Federal Government allowed a large influx of drivers into Australia, so that the local industry now has full shift cover and possibly hundreds of drivers on waiting lists. New drivers are still being trained at a high rate, so the over-supply is steadily getting worse. New drivers do not appear to be informed of their limited work prospects before they pay for and undertake their training.

A lot has been made in the press of the changing ethnicity of drivers, and links inferred back to their ability, local knowledge and inadequate training. Very little data is available on these issues, although KPMG carried out a study for TCQ that showed a significant reduction in the number of native Australians driving over the 10 years between 1996 and 2006 (Figure 2-10), before the recent influx.

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Figure 2-10 Drivers by country of origin (KPMG, May 2009)



Anecdotal evidence suggests that a majority of new driver authorisations are for immigrants. Although TMR has records of authorisations, we were unable to obtain data from TMR that would enable us to develop a picture of driver churn or years of experience (both being seen as significant issues overseas).

Driver incomes were estimated from ATIA data (Figure 2-5), and similar estimates derived from GST returns for a sample of drivers as provided by a number of operators. It appears that drivers, on average, earn less than the Federal Minimum Wage per hour, which means that while there may be some who make a good living from driving, the majority do not.

- **Licence owners (generally passive investors)**

Taxi licences in Queensland are issued annually subject to demand as assessed by TMR. Supply is restricted by the State, so they have become valuable assets (refer to Figure 2-6 for value trends in Australia).

Queensland has experienced a gradual change from licence-owners who are also drivers to passive investors, who lease their licences to independent operators (and a proportion sub-leased again by the lessee, particularly where the lessee is a dispatch company).

The ownership pattern over recent years (Figure 2-11) indicates that:

- Licence numbers have grown annually at an average of 3%;
- The proportion of licences leased has increased from 65% to 73%;
- In Brisbane almost all licences are now leased (there are minor accuracy issues with the TMR data), and Sunshine Coast appears to be moving that way as well (along with a few small centres).

The fleet size analysis (Figure 2-8) indicates that in Brisbane about 34% of the taxi fleet is now leased by the dispatch companies, who also own licences in their own right.

Licence owners in Brisbane have therefore become passive investors, whose principal interest in the industry is likely to be the extent of the return from their investment. As licence values increase, the return expected will also increase in absolute terms, as well as the lease and sub-lease fees involved.

The cash flow to support this structure must come from fares, and therefore from customers. In an industry where fares are regulated by the State, the result of increasing demand for returns must be a reduction in earnings available for operators and drivers. Industry revenues are reviewed in Section 2.5.

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A further consequence of this structure is likely to be that licence and lease owners are removed from service delivery (provided by drivers), and have an incentive to maximise vehicle utilisation (as does the operator).

There is an oversupply of drivers, so the result is that most vehicles remain on the road during periods of low demand, and the smaller revenues available in those periods are shared among too large a group of drivers.

Figure 2-11 Licences and leases in Queensland (TMR)⁴

| Area | Licences | | | | | Proportion of Licenses Leased | | | | |
|-----------------------|--------------|--------------|--------------|--------------|--------------|-------------------------------|------------|------------|------------|------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Atherton | 3 | 3 | 3 | 3 | 2 | | | | | |
| Ayr | 4 | 4 | 4 | 4 | 4 | 50% | 50% | 50% | 25% | |
| Beaudesert | 3 | 3 | 3 | 3 | 2 | | | | | |
| Beerwah | 1 | 1 | 1 | 1 | 1 | | | | | |
| Biloela | 2 | 2 | 2 | 2 | 1 | 50% | 100% | 100% | 100% | 100% |
| Blackwater | 4 | 4 | 4 | 3 | 3 | | | | | |
| Bowen | 4 | 4 | 4 | 4 | 4 | | | | | |
| Bribie Island | 4 | 4 | 4 | 4 | 4 | 25% | 25% | 25% | 25% | 25% |
| Brisbane | 1,660 | 1,715 | 1,787 | 1,807 | 1,867 | 87% | 92% | 101% | 106% | 101% |
| Bundaberg | 28 | 29 | 29 | 30 | 30 | 25% | 24% | 21% | 27% | 30% |
| Cairns | 131 | 131 | 137 | 137 | 137 | 16% | 20% | 23% | 23% | 24% |
| Capricorn Coast | 7 | 7 | 7 | 8 | 8 | | | | | |
| Charters Towers | 7 | 7 | 8 | 7 | 7 | 29% | 14% | 25% | 29% | 29% |
| Dalby | 8 | 8 | 8 | 8 | 8 | | | 100% | 100% | 100% |
| Emerald | 4 | 4 | 4 | 4 | 4 | | | | | |
| Gladstone | 23 | 23 | 23 | 24 | 25 | 39% | 35% | 22% | 25% | 16% |
| Gold Coast | 255 | 265 | 300 | 310 | 329 | 50% | 45% | 40% | 38% | 34% |
| Goondiwindi | 5 | 5 | 5 | 4 | 4 | | | | | |
| Gordonvale | 3 | 3 | 3 | 2 | 2 | | | | | |
| Gympie | 12 | 11 | 12 | 12 | 11 | 8% | | | 25% | 9% |
| Hervey Bay | 15 | 15 | 16 | 17 | 17 | 13% | 7% | 6% | 18% | 24% |
| Innisfail | 10 | 10 | 10 | 10 | 10 | 10% | 10% | 10% | | |
| Ipswich | 60 | 61 | 64 | 64 | 64 | 68% | 72% | 69% | 70% | 56% |
| Kingaroy | 4 | 4 | 4 | 4 | 4 | | | | | |
| Laidley | 1 | 1 | 1 | | | | | | | |
| Mackay | 62 | 64 | 67 | 68 | 68 | 29% | 30% | 30% | 37% | 28% |
| Magnetic Island | 4 | 4 | 4 | 3 | 3 | | 25% | | 67% | |
| Mareeba | 7 | 7 | 7 | 6 | 6 | | | | | |
| Maryborough | 15 | 15 | 16 | 15 | 15 | | 7% | 19% | | |
| Moranbah | 2 | 2 | 2 | 3 | 3 | | | | | |
| Mount Isa | 33 | 33 | 33 | 33 | 33 | 21% | 15% | 12% | 6% | 6% |
| Mount Morgan | 3 | 3 | 2 | 1 | 1 | | | | | |
| Mt Tamborine/Canungra | 2 | 2 | 2 | 2 | 1 | 100% | 100% | 100% | 150% | 200% |
| Murgon | 2 | 2 | 2 | 1 | 1 | | | | | |
| Port Douglas | 2 | 2 | 2 | 2 | 2 | 100% | 100% | 100% | 100% | 100% |
| Redcliffe | 32 | 32 | 32 | 32 | 34 | 53% | 63% | 59% | 66% | 50% |
| Rockhampton | 61 | 61 | 62 | 62 | 65 | 13% | 15% | 11% | 11% | 20% |
| Stanthorpe | 3 | 3 | 3 | 1 | 1 | 100% | 33% | | | |
| Sunshine Coast | 89 | 99 | 103 | 105 | 107 | 46% | 46% | 43% | 54% | 61% |
| Toowoomba | 87 | 89 | 89 | 87 | 86 | 37% | 36% | 36% | 45% | 38% |
| Townsville/Thuringowa | 127 | 127 | 131 | 135 | 135 | 20% | 20% | 18% | 16% | 11% |
| Warwick | 6 | 6 | 6 | 6 | 5 | | | | | |
| Queensland | 2,795 | 2,875 | 3,006 | 3,034 | 3,114 | 65% | 68% | 72% | 77% | 73% |

The licenced taxi fleet has an additional 52 non-metered taxis (operating in rural areas). The fleet currently includes 560 wheelchair accessible vehicles with special licences, the majority in Brisbane.

- **Dispatch companies (run call-centres and sophisticated computer booking systems, but may also own licences and/or leases)**

Current regulations require that dispatch (or booking) companies be licensed by the State, and that all taxis must be affiliated with a licensed dispatch company. In most of the State there is only one choice of dispatch company (there are two choices in Brisbane).

⁴ Leases may change hands more than once in a year.

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Dispatch (or booking) companies provide a valuable service to the industry by directing taxis to where they are needed, and therefore optimising fleet efficiency. They run the call-centres for their designated area, taking bookings from customers (via phone call, SMS and internet), assist drivers with directions, monitor driver safety and handle complaints.

The booking systems are becoming increasingly sophisticated, and the two Brisbane-based dispatch companies have multi-million dollar dispatch systems, each capable of dispatching for the entire State (and other parts of Australia as well), together with one or more call-centres.

While the Brisbane-based systems are currently only able to track bookings, the systems used in Cairns and the Gold Coast allow tracking of vehicles continuously. In Cairns, the dispatch company is able to monitor rank and hail work as well as booked work, and can monitor taxi movements in real time, which is likely to enable a further improvement in fleet efficiency.

Dispatch companies earn revenue primarily from affiliation fees, a fixed amount payable each month for each affiliated vehicle, and from a booking fee charged on top of the fare. The affiliation fee is not regulated, and has been increased twice since TMR's last fare increase. They may earn additional revenues through:

- Providing driver training through licensed facilities;
 - Providing livery to drivers of affiliated vehicles and for the vehicles themselves;
 - Owning and/or operating leases, and sub-leasing to independent operators;
 - Agency fees for EFTPOS operators (Cabcharge's agent in Queensland is Yellow Cabs) and for insurance providers; and
 - Fining drivers for breaches of codes of conduct, etc (or disconnecting them from the booking system, effectively preventing them from working).
- **EFTPOS service provider (has equipment in each vehicle to enable cashless payment for fares)**

The Australian taxi industry has tended to be an early adopter of technology, and equipped with cashless payment facilities many years ago. Until recent times there were several organisations providing EFTPOS equipment for taxis in Queensland, but over the past few years CabCharge, a listed company, appears to have developed a virtual monopoly in this area in Queensland.

CabCharge provides vouchers, which may be used by passengers to pay for fares via EFTPOS equipment mounted in the vehicle. The company charges a 10% handling fee on all fare transactions, including the Government Taxi Subsidy Scheme) and an additional 10% service fee when the customer is invoiced.

The fare revenue collected by CabCharge is paid to Yellow Cabs, their Queensland agent, which then distributes it to the operators (see Figure 2-7). Cabcharge provides comprehensive reports to their agent and to purchasers of their vouchers.

- **Taxi Council of Queensland (TCQ, the industry peak body)**
- The TCQ is considered to be the industry's peak representative body. Its constitution refers to licence owners as its members and membership is paid on their behalf by operators, but in practice it appears that few licence owners are aware of this. The Council make up the majority of its Board.
- **Government (regulates the industry via TMR provides travel subsidies to passengers)**

The Queensland taxi industry is regulated by the Department of Transport and Main Roads in three areas:

- Market entry (via controls on licence numbers and type);
- Maximum fares chargeable; and
- Service standards (such as response times, type of vehicles and driver performance).

Regulations also affect the operation of security cameras and the taxi subsidy scheme.

The Taxi Subsidy Scheme (TSS) accounts for around 6,000 taxi trips per day (roughly 3% of all taxi trips in the State). Under the scheme, eligible users pay only half of the total fare. The scheme currently supports between 30,000 and 40,000 members, and is funded to approximately \$14 million.

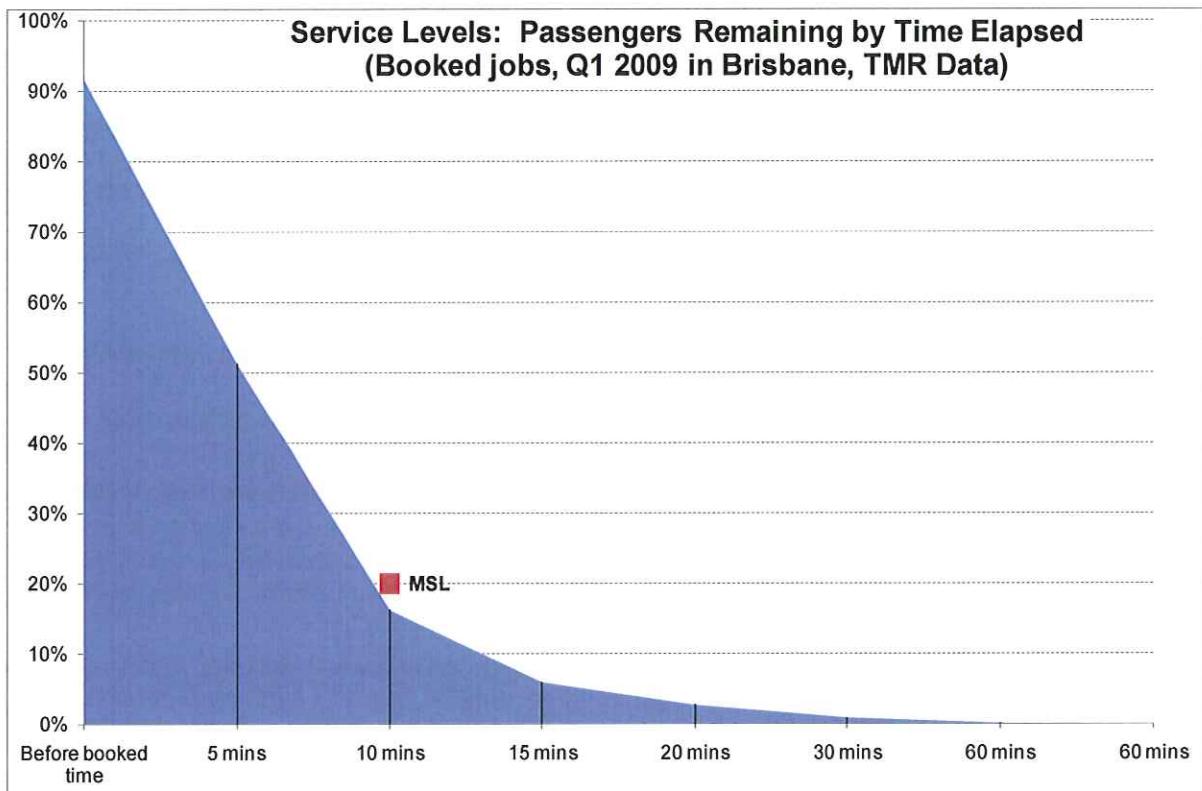
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2.3 The Performance of the Queensland Industry

Under the terms of the current contract with dispatch companies, TMR is now able to obtain data on service levels. The target (minimum service level, or MSL) set for the industry is that 80% of passengers should have been picked up within 10 minutes of their booking.

Data for Brisbane for the first quarter of 2009 indicates that the target is being met (Figure 2-12). We have not been able to determine industry performance against this benchmark in other States or offshore.

Figure 2-12 Minimum service levels - passengers still waiting by time elapsed (Brisbane, Q1 2009)



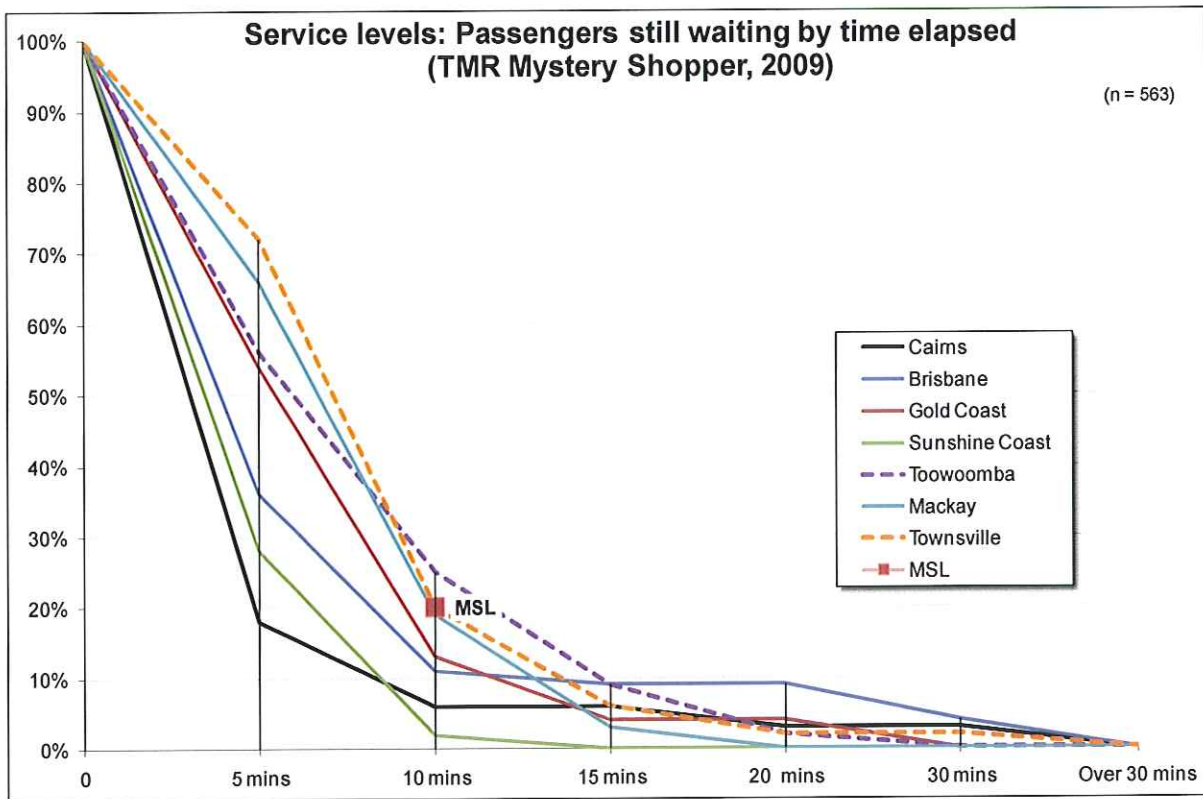
Similar data is not available from TMR for other parts of the State, but TMR did sponsor a 'mystery shopper' review of service quality during 2009, and response times were recorded during that exercise.⁵

The data (Figure 2-13) indicates that taxi services did not meet the minimum service level target in only one city surveyed (although the sample sizes were too small to be statistically significant).

⁵ *Mystery Passenger Project*, Marketshare Pty Ltd. July 2009.

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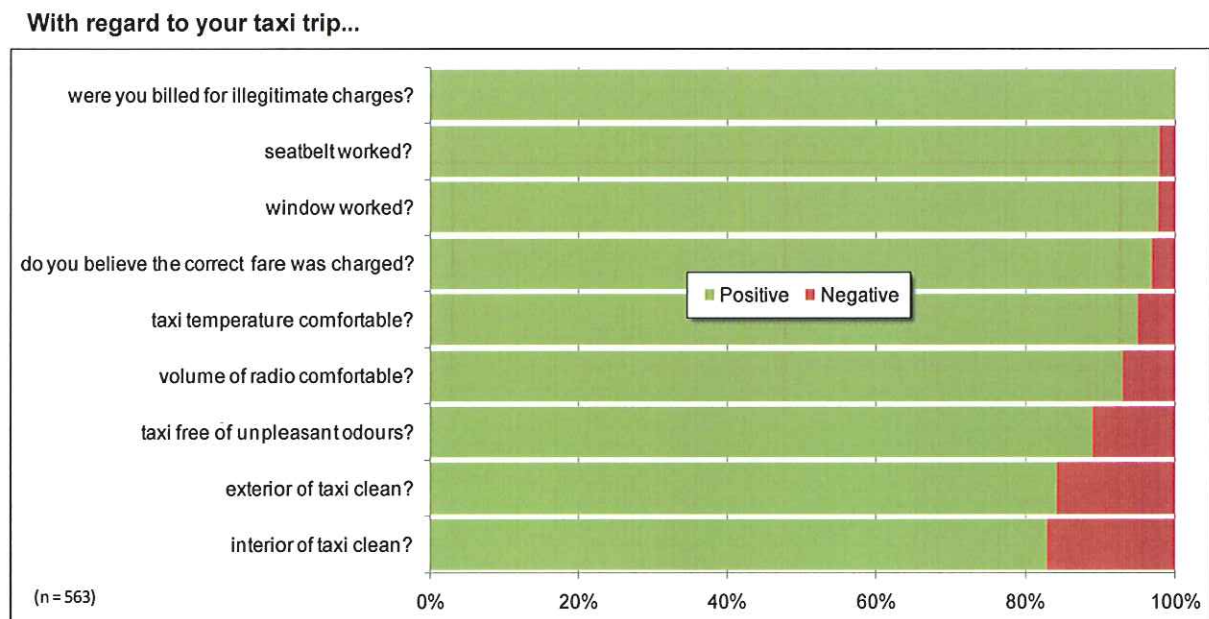
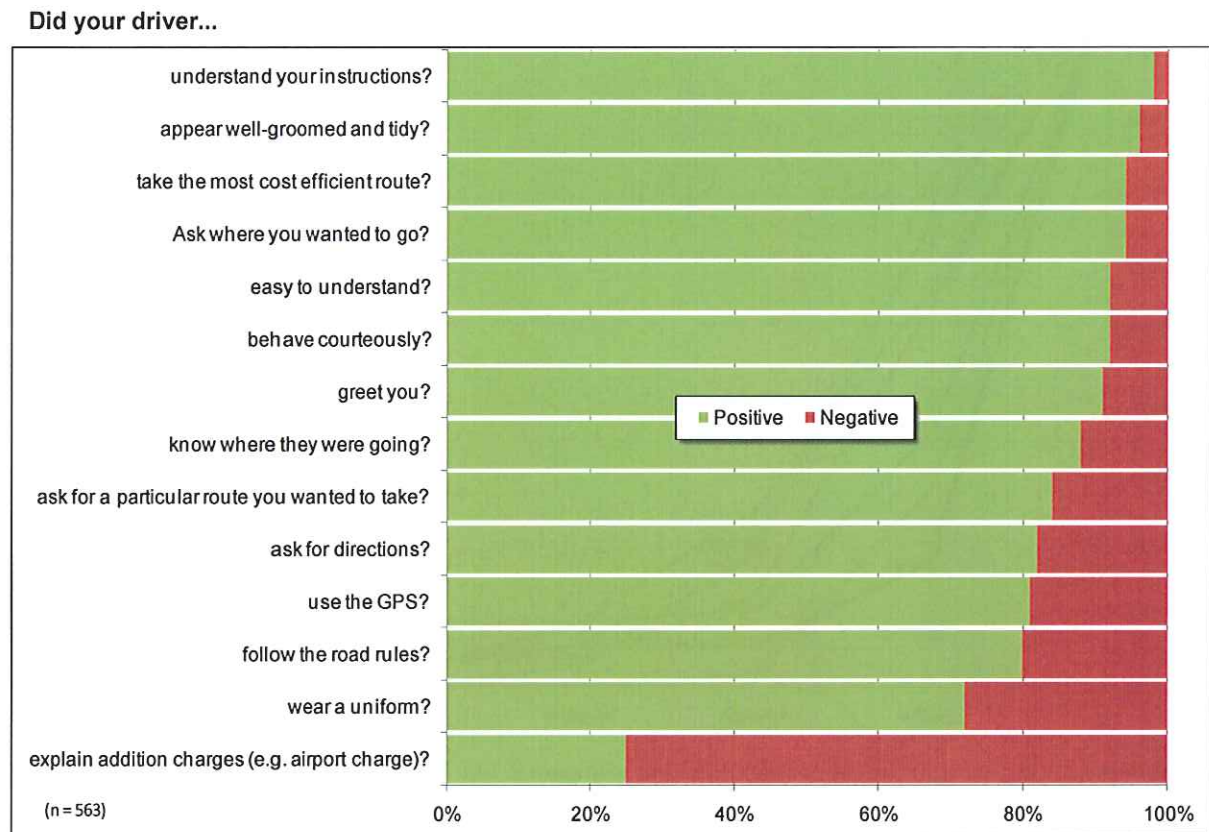
Figure 2-13 Minimum service levels in major Queensland cities (mystery shopper survey)



The mystery shopper also evaluated qualitative factors (Figure 2-14). While the outcome indicates that the taxis involved generally performed well, there were a few areas of concern, especially where 75% of drivers were considered not to have provided a suitable explanation for additional charges.

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Figure 2-14 Service quality (TMR mystery shopper)

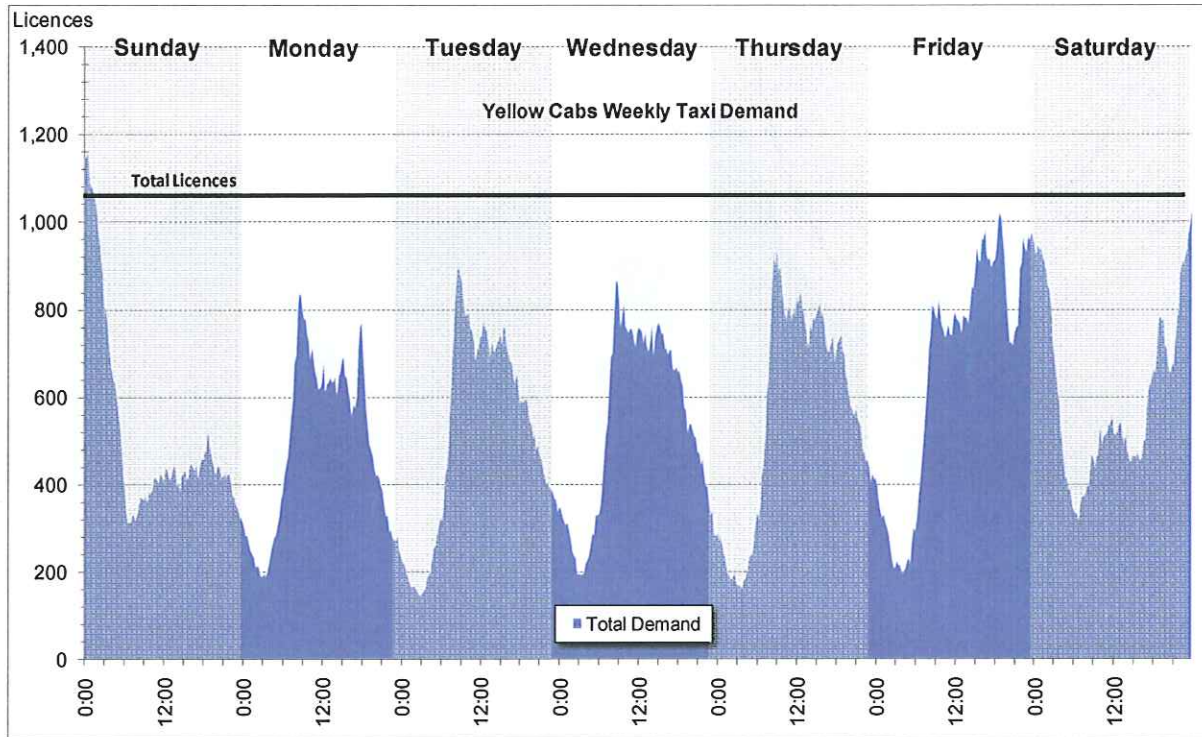


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2.4 Supply and Demand

The industry is currently able to satisfy its Minimum Service Level targets, in circumstances where there appears to be an oversupply of drivers willing to work long hours for low returns. Most vehicles appear to be on the road the majority of the time, but demand for service varies considerably. Demand for vehicles as reported by Yellow Cabs in Brisbane (the first set of data available under the terms of their new contract with TMR) shows bookings dropping below 200 vehicles during the night (Figure 2-15).

Figure 2-15 Average weekly demand (bookings) in Brisbane, Yellow Cabs Q1 2009 (TMR data)



There is no easy way to establish the relative proportion of dispatched and rank or hail work in Brisbane, because only the first category is currently tracked, and therefore an accurate picture of total demand cannot currently be derived.

Data provided by Cairns, where all work can be tracked, indicates that on average 60% of taxi trips in Cairns during the two month period covered by their data were booked for dispatch, the remainder being rank or hail (Figure 2-16). The data provided did not include waiting times, unfortunately.

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Figure 2-16 Demand by time of day in Cairns (B&W Cairns data)

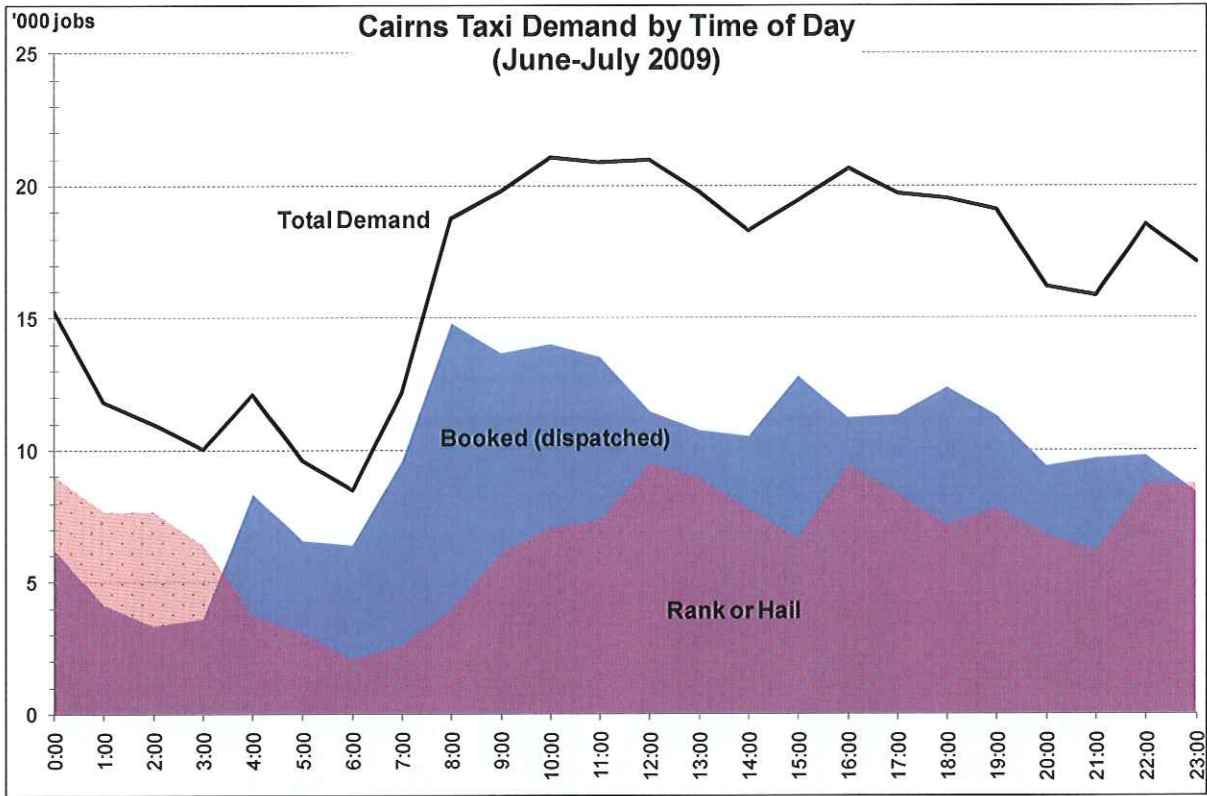
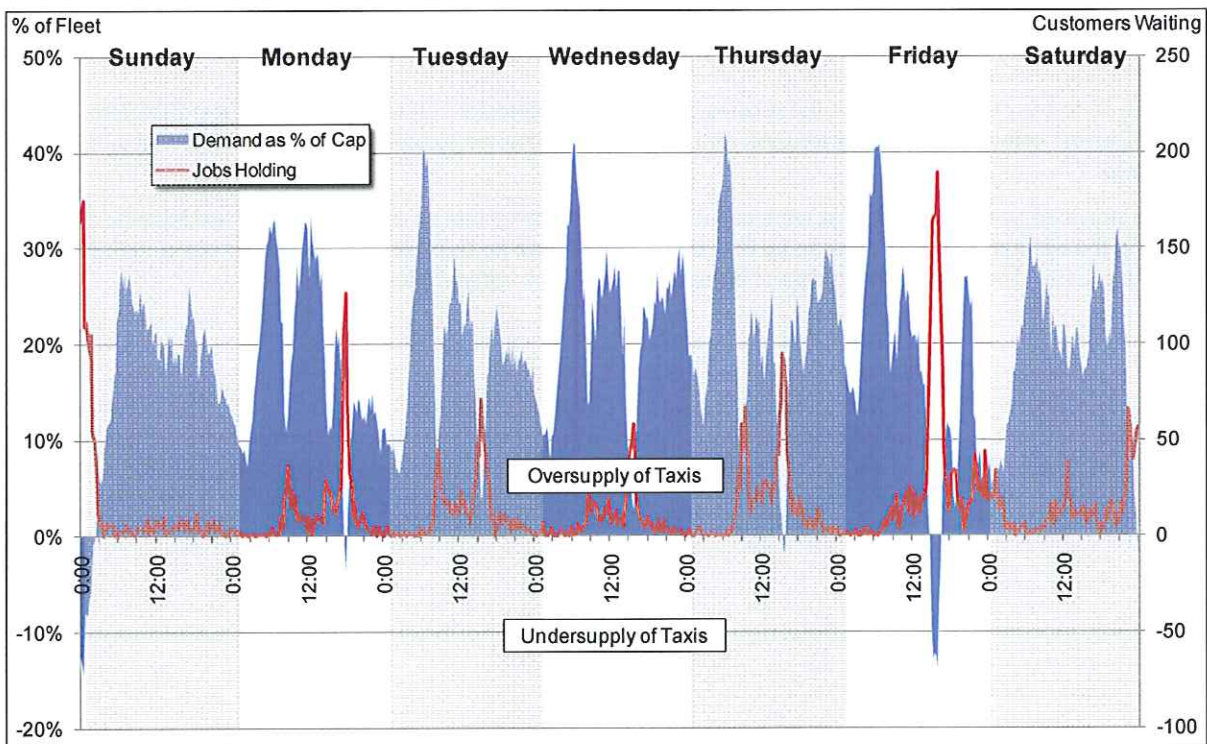


Figure 2-17 Under and over supply of cabs, Yellow Cabs Q1 2009 (TMR data)



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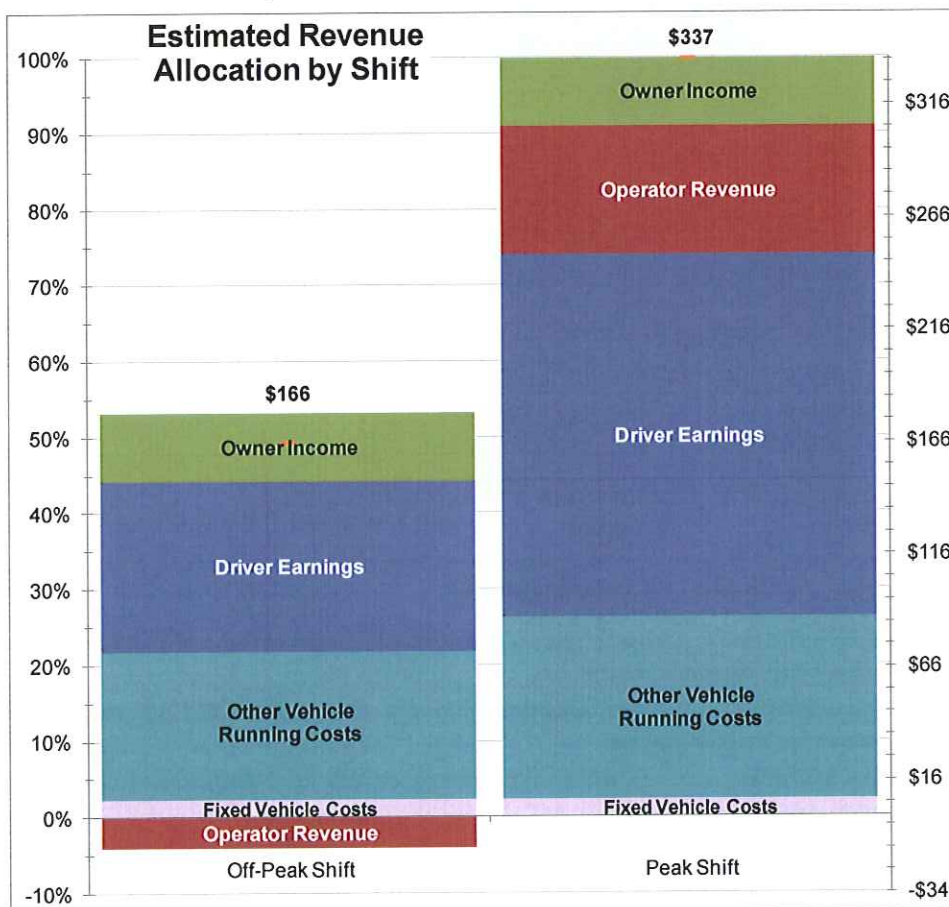
TMR data for Brisbane now provides the numbers of vehicles waiting for work, and the number of jobs holding (waiting for pickup) at various times of the day. The data can therefore be used to account for rank and hail work as well as booked. On the whole, the fleet appears able to satisfy demand, but there are extended periods where there are large numbers of cabs waiting for work, sometimes up to 40% of the fleet, and short periods of time where demand exceeds supply (Figure 2-17).

A similar picture emerges from data provided to us by Black & White Cabs in Brisbane. In Brisbane, and probably in the other cities, there is generally an oversupply of cabs during slow periods of the day, and brief periods of under-supply at times of peak demand.

Estimates of revenues available by shift type demonstrate the effect of the oversupply. Using data provided by a number of operators and an operational model of the industry developed for the purpose, we estimate that average takings for an off-peak shift are slightly less than half of the average takings during peak shifts (Figure 2-18). The result is that:

- Drivers earn an average (in Brisbane) of \$83 in an off-peak shift (for typically between 8 and 12 hours work);
- Operators lose money, because there is not enough revenue to cover the fixed costs of running the vehicle;
- Licence owners are not affected;
- The dispatch companies have a slight impact (their affiliation fees are not affected, but booking fees will be reduced); and
- Operators make enough revenue during peak shifts to cover their losses.

Figure 2-18 Estimated revenue allocation by shift



This outcome occurs because licence numbers are driven by total demand, not by any concept of baseload. Attempts have been made by regulators to deal with peak demand by issuing special licences, but these have failed because the cost base of the vehicle remains the same – the revenue available from a shorter working period, even if only at peak demand, is not enough to cover the full operating cost of the vehicle.

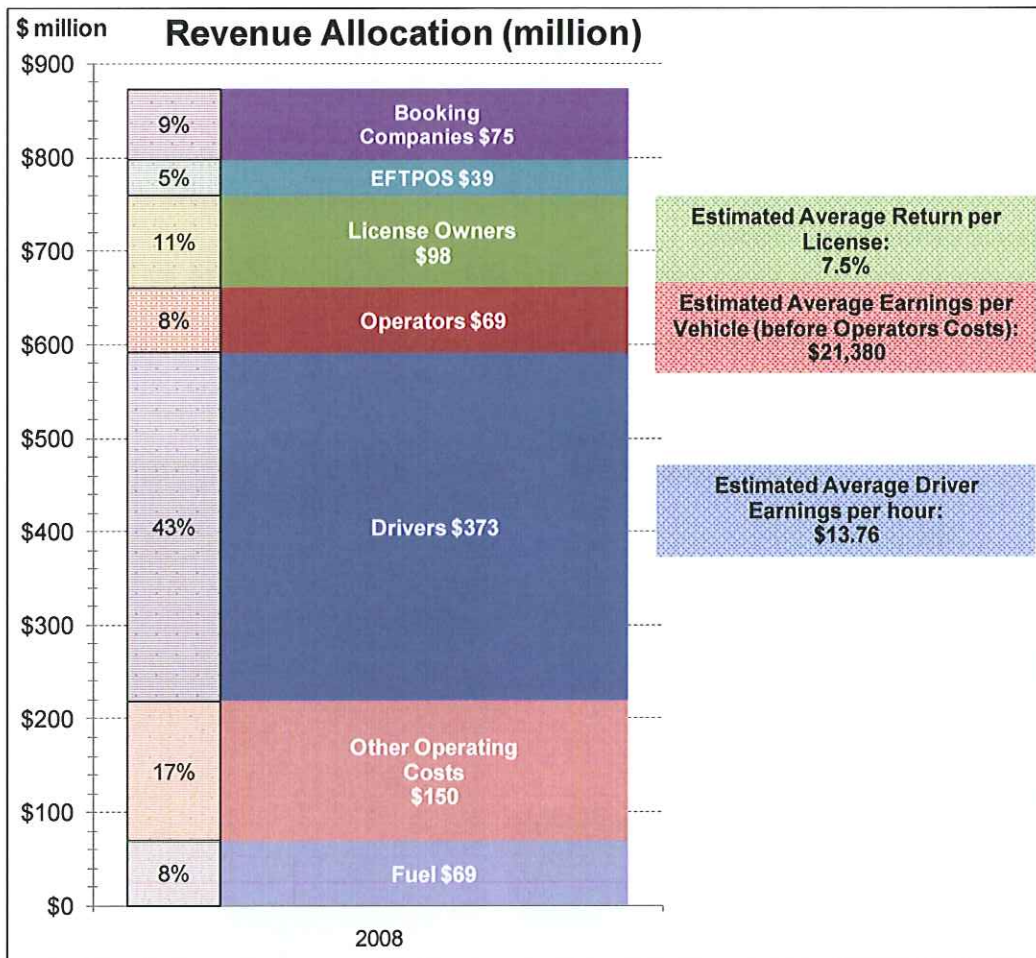
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2.5 Revenues in the Queensland Taxi Industry

The total cost to customers of the taxi industry in 2008 is estimated to be \$872 million, made up of fares (as estimated by ATIA), booking fees, the Cabcharge handling fee where it applies, and the Cabcharge service fee.

Financial data provided by a number of Brisbane-based operators has been used to estimate revenue allocation in the Queensland taxi industry, and cross-checks were made with published ATO guidelines for taxi drivers. Our estimate of the way in which revenue is currently allocated is presented in Figure 2-19.

Figure 2-19 Total industry revenue allocation



The outcome can be expressed in a more meaningful way:

- The \$373 million estimated to accrue to drivers represents average earnings of \$13.76 per hour, a figure very close to the ATIA estimate in Figure 2-5;
- The \$69 million estimated to accrue to operators represents an average of \$21,380 per vehicle, before operator business costs, drawings, etc;
- The \$98 million estimated to accrue to licence owners represents an average return on investment (using current Brisbane licence values) of 7.5%; and
- No financial data is available for the EFTPOS and dispatch companies, although CabCharge announced an EBIT of 48% in its 2008 Annual report.

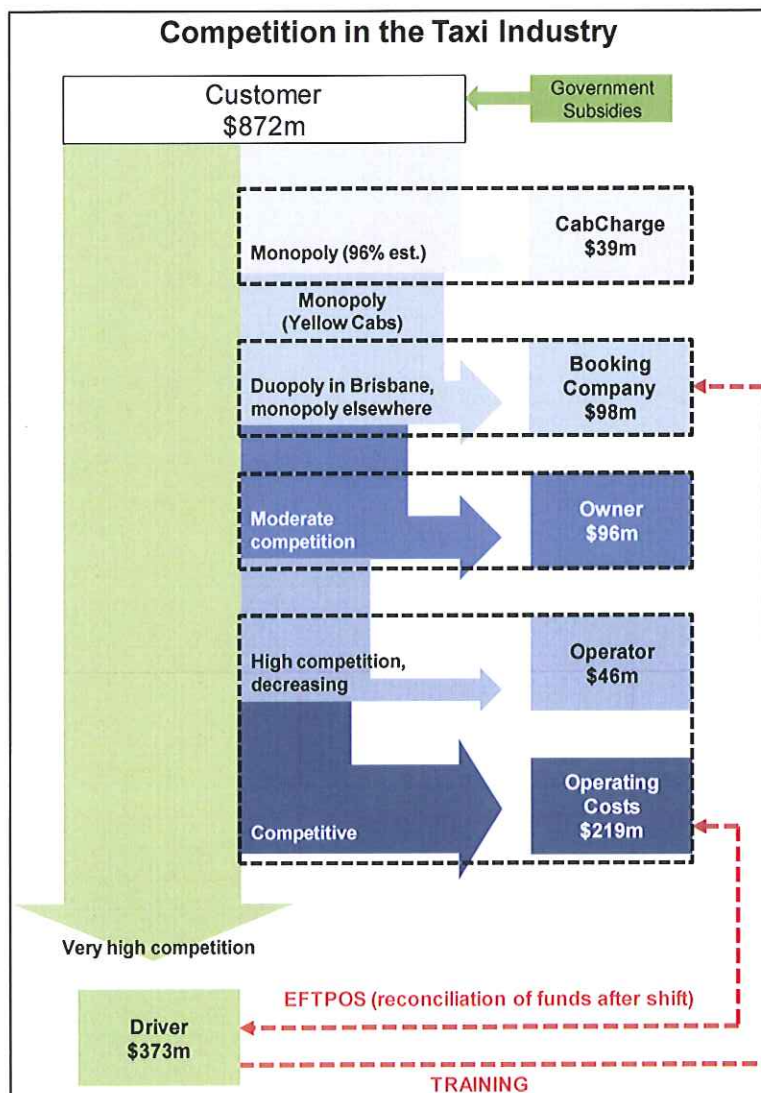
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Possibly more significant is the degree of control currently able to be exercised by some stakeholders over the others, enabling them to improve their position in the value chain at the expense of the others. Figure 2-20 aims to illustrate this:

- Cabcharge controls an estimated 53% of industry revenues (ignoring its own earnings) – these are subject to a merchant agreement with Yellow Cabs as its Queensland agent;
- Yellow Cabs controls 41% of the revenues (excluding its own earnings), which are passed on to operators;
- Operators must then pass 11% on to licence owners (drivers are paid immediately by the operators).

The degree of control able to be exercised here should be a concern. If this arrangement is thought to provide the best outcome for travellers and the industry, it should be subject to close scrutiny and audit. In normal circumstances, a free market would be expected to resolve issues of this kind, but in the taxi industry one stakeholder group in particular (the drivers) has very little market power.

Figure 2-20 Control over revenues in the Queensland taxi industry



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Related to control is the issue of incentives, which guide market behaviour. In Queensland at present:

- The dispatch companies enjoy effective monopolies (duopoly in Brisbane), created by the State through regulation (requiring vehicles to be affiliated). In the current environment the dispatch companies have gained market power at the expense of the other stakeholders. They gain the majority of their revenues via fixed affiliation fees – they are only exposed to market conditions at the margin, via their revenues from booking fees and their share of the CabCharge handling fee. They have therefore successfully passed off the majority of their business risk, while retaining revenues.
- Licence owners derive a fixed income.
- Operators have a substantial fixed cost base and assets at risk, with revenues entirely subject to market conditions – they have a strong incentive to keep vehicles on the road to at least cover their costs.
- Drivers have incomes entirely at risk, and are currently not being rewarded commensurate with the level of risk.
- Fares are only ever charged at the maximum allowed, because any reduction in fares must come out of the pockets of the two stakeholders under greatest financial stress. For innovative (lower cost) solutions to become viable, these groups need to make a better living from the industry.

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3.0 The Need for Change

The previous section attempted to set the scene, by presenting the current state of the taxi industry in as comprehensive a manner as possible, given the dearth of available and quality data.

The need for change is observed to be driven by three factors:

- Dissatisfaction with aspects of the industry as it currently is;
- A need to determine how to deal with emerging issues; and
- A desire to improve performance or develop the industry as a whole.

The first two factors have been explored through an analysis of current industry structure and performance, and by consulting with representatives of the key stakeholder groups. Their views are collected in this section.

The third factor has been offered by TMR in the form of a possible vision of the future for the industry. The vision is one of growth:

"More people, using more taxis, more often"

The vision received very little adverse comment, and the vast majority of people consulted were happy to adopt it as a vision of the future for the taxi industry.

This section is a collation of the results of interviews and discussions with representatives of stakeholders in the industry, initially as nominated by TMR or TCQ, but increasingly by other people who wished to be involved. All stakeholder groups come with an agenda or bias of some kind, and we have attempted to ensure that an appropriate balance has been maintained as we develop a representative view of the problems and opportunities in the industry.

A more comprehensive report on issues identified and the way they were collected is available in the attachment issued with this report. Many people interviewed requested anonymity, so we have not attached a list of interviewees to this document.

3.1 Common Themes among the Issues Raised

The themes that emerged as the interview results were collated were:

- Competitive cost of service;
- Satisfactory quality of service;
- Cabs perceived as an attractive option by customers (to private vehicles);
- Availability of cabs;
- Integration of taxis into the public transport system; and
- Appropriate governance and structure.

The rest of this section provides the more significant of the issues raised, grouped into these themes. The list has also been adopted as a potential set of criteria by which to assess priority and success. They form a basis on which to question the extent to which a particular issue or the solution to that issue is likely to contribute to the industry vision of growth.

In this context, issues can be seen (and were often described) as 'impediments to success'.

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3.2 Competitive Cost of Service

Industry growth was seen to require that it be competitive with other transport options available to the traveller. A number of issues were identified in this area:

| Issue | Comment |
|--|--|
| Inappropriate fare structure | <ul style="list-style-type: none"> Fares are too expensive and the market is sensitive to price rises; The process for changing taxi fares is ineffective and slow. |
| Multi-hiring scheme is ineffective | <ul style="list-style-type: none"> The scheme is too complicated for both drivers and customers to understand. |
| Limited use of fuel-efficient cabs | <ul style="list-style-type: none"> There is limited incentive for owners to convert the cabs to fuel efficient or low-emission vehicles. LPG in some areas is expensive and increases the cost of running the car. |
| Industry has higher cost base than necessary (fixed supply vs variable demand) | <ul style="list-style-type: none"> Many costs are currently fixed (i.e. are incurred even when the car is not on the road). The current over-supply of cabs also resulting in a higher cost base. |

3.3 Satisfactory Quality of Service

Public perception currently appears to be that the quality of service is poor. Service quality needs to be improved in order to grow the industry.

| Issue | Comment |
|--|---|
| Poor process to manage complaints | <ul style="list-style-type: none"> Some drivers are not aware of the complaints line. The service is being abused (i.e. dobbing in of competitors). |
| Limited adoption of effective new technology | <ul style="list-style-type: none"> e.g. use of Go Card in cabs. |
| Poor driver performance | <ul style="list-style-type: none"> Some drivers are currently exhibiting poor English standards, limited understanding of local landmarks and popular destinations, and deficient driving skills. The training provided to the drivers before, and after, they commence work is seen as not being sufficient to providing a quality taxi service. |
| Poor vehicle presentation | <ul style="list-style-type: none"> Some vehicles have poor internal or external presentation, or have unacceptable odours. |
| Slow response times | <ul style="list-style-type: none"> Customer response times are unsatisfactory due to traffic congestion, driver refusal of jobs, and improper use of the dispatch system by poorly trained drivers. Also problems with customer "no shows". |
| Unmotivated service providers | <ul style="list-style-type: none"> Drivers not feeling safe in the taxi, with cameras only able to record issues, and not prevent them. Drivers also unmotivated due to pay levels and insurance inconsistencies. Licence owners receive revenue from the industry, but are not motivated to improve service levels. |

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3.4 Cabs Perceived as an Attractive Option by Customers

For the travelling public to use taxis more, there needs to be a perception that taxis are an attractive option in more circumstances, particularly in relation to the use of private transport (private cars, etc). There are parts of the private transport market where taxis are not the preferred option.

| Issue | Comment |
|--|--|
| Market demand not addressed well | <ul style="list-style-type: none"> There are currently several unserved markets that could be operated by taxis, such as, ambulance, HACC service, employer services, courtesy travel markets, etc. |
| Unattractive compared to other modes of public transport | <ul style="list-style-type: none"> Customers do not perceive cabs as being an attractive alternative mode, or don't have an understanding on the additional benefits a taxi service can provide over other modes. |
| Choice of cabs | <ul style="list-style-type: none"> Limited selection of cabs available to customers, such as, low-emission vehicles, larger vehicles, smaller vehicles (motorbikes), etc. |
| Safe service | <ul style="list-style-type: none"> Cabs not seen as a safe mode of transport, including at taxi ranks. |

3.5 High Availability of Cabs

Cabs are generally available when needed, as shown by the MSL performance, but interviewees felt that there were areas where availability could be improved.

| Issue | Comment |
|--|--|
| Cab supply not matching variable customer demand | <ul style="list-style-type: none"> The current licensing system doesn't cater for periods of high demand, and leaves the industry with too high a cost base during periods of low demand. The excessive number of taxis also brings problems with insufficient rank space for waiting cars. More taxi licences drives down the revenue for some industry players (drivers and operators), while it increases revenue for other players (booking companies and TMR). |
| Incorrect transport mix | <ul style="list-style-type: none"> A larger variety or mix of cabs are required to meet customer demand and needs. |
| Inadequate dispatch systems | <ul style="list-style-type: none"> The current dispatch systems are inefficient. |
| Poor data collection | <ul style="list-style-type: none"> The current dispatch systems do not collect sufficient data on all aspects of taxi trips and movements to enable satisfactory analysis of the industry. |

3.6 Cabs Well Integrated into Public Transport System

Interviewees felt that part of the opportunity for growth would come from improving the use of taxis within the public transport system (for flexible transport options, etc).

| Issue | Comment |
|---|--|
| Taxis not recognised as an alternative mode of public transport | <ul style="list-style-type: none"> Taxis not part of an integrated transport solution for public transport, including at major events. No integration of services or payments. |
| Inadequate infrastructure for taxis | <ul style="list-style-type: none"> Kerbside facilities and ranks are not sufficient for the current supply of taxis, particularly in the Brisbane CBD and at major events. |

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3.7 Appropriate Governance and Structure

There was a great deal of comment on the current structure of the industry, ranging from representation of stakeholder groups to the way the money flow is managed. The role and performance of TMR was questioned. Interviewees felt that no significant growth would occur if the industry structure remained in its current form.

| Issue | Comment |
|---|---|
| Inadequate support and service from TMR | <ul style="list-style-type: none"> Insufficient staff to provide the required support to the industry, with a high turnover of staff compounding the problem. Processing or paperwork is slow and compliance resourcing is insufficient. |
| Inaccurate industry representation | <ul style="list-style-type: none"> The current advisory boards and industry councils do not accurately represent the interests of the entire industry, particularly drivers and operators. |
| Issues relating to booking companies | <ul style="list-style-type: none"> Too much control is held by the taxi booking companies. They control the distribution of electronic payments, the choice of in-car EFTPOS operator, and many of the states taxi licences. They control the supply of drivers (through their training schools). Drivers are fined and disconnected from dispatch for 'infringements' with no hearing or ability to appeal (receipts are not issued for fines). They are enforcing 'loyalty' to their companies. |
| Limited incentive to maintain service quality at a high level | <ul style="list-style-type: none"> Revenue distribution across the industry doesn't align with maintaining or improving service quality. |
| Ineffective compliance and enforcement of regulations | <ul style="list-style-type: none"> Compliance and regulations are not enforced in some areas (e.g. absconding, damage to cab including soiling fee), while other areas have heavy-handed enforcement (penalties for driving with night light, picking up/dropping off in unpermitted areas). |
| Role of CabCharge | <ul style="list-style-type: none"> Payments of non-cash funds to operators are unsecured, and currently some booking companies prevent the use of any machines other than CabCharge. |
| Inappropriate mechanisms for matching of cab supply to demand | <ul style="list-style-type: none"> The current licensing system doesn't cater for periods of high demand, but also leaves non-peak periods with excessive numbers of cabs on the road. |
| Restrictions relating to service boundary issues | <ul style="list-style-type: none"> Boundary restrictions lead to poor service on the fringes due to long "dead running" times, resulting in low value fares, and "no shows" being even more expensive. |

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3.8 Issues Suggested by the Review of the Current State of the Industry

The review of the current state of the industry in Section 2 provides indicators supporting many of the views expressed by respondents. Several issues suggested by that review have only been touched on by interviewees, and should be highlighted:

- The accumulation of control and market power by the dispatch companies.
The evidence suggests that market failure is occurring, because the dispatch companies are effectively insulated from demand variations and have been able to transfer almost all business risk to drivers, while retaining the majority of the returns available. Their ability to get to this position implies regulatory failure (of regulation).
- Service quality relies primarily on the drivers, who are under increasing income pressure, and are therefore increasingly less likely to be motivated to provide a satisfactory quality of service.
The incentives for the stakeholders do not currently support TMR's objectives (cab companies do not employ drivers and have no control over their activities other than the ability to cut them off from dispatch), and growth opportunities are likely to be very limited until the incentives are corrected.
- A significant proportion of licence owners do not operate or drive, and add no value to the industry, while currently taking approximately 11% of revenues (excluding lease and sub-lease margins).

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4.0 Lessons from other Jurisdictions

The taxi industry has been reviewed many times in various jurisdictions around the world during the past few decades, generally on behalf of regulators, but occasionally on behalf of other stakeholders. There are a few post-implementation reviews, with conclusions that may be useful as a guide to strategy for the Queensland taxi industry. There are certainly repeating themes in the reviews.

This section is intended to highlight some of the proposed or actual interventions and the rationale used, where there appears to be some relevance to the Queensland taxi industry. A list of the documents used to inform this section is attached as Appendix A.

The scope for this strategy development specifically excludes consideration of de-regulation, which we understand to mean the management of the industry with licences. While we report on the role of regulation around the world in this section, we do so in terms of the impact of regulation on growth prospects in the industry. In practice, almost all jurisdictions that de-regulated have re-regulated in some way, and the lessons learned are useful in the context of our Queensland industry.

4.1 Regulatory Framework

There have been a number of reviews of the industry from an economics point of view, which effectively draw very similar conclusions:

- The local taxi industry (in the jurisdiction of the review) is found to be heavily regulated, poorly performing, and a virtual or de facto monopoly;
- There is little, if any, economic (or market-driven) rationale in support of supply regulations, and evidence to demonstrate the extent to which the regulations contribute to inefficient performance of the industry;
- There are substantial economic benefits available to the travelling public if supply regulations could be removed; and therefore
- Regulations affecting supply (of cabs) should be removed.

Taxi Licences

The reviews conclude that regulating taxi numbers with licences:

- Has no benefit for the travelling public;
- Represents an unreasonable restraint on trade that delivers windfall gains to a small group of investors (licence owners), arguing that:
 - Licence values have increased only because of government-imposed licensing constraints; and
 - Investors have deliberately chosen a high risk investment that is dependent on government policy;
- Benefits the first purchasers of licences, but provides little benefit to later purchasers (the capital gain tends to stabilise, and purchasers of existing licences must recover cost of capital);
- Provides incentives for investors to maximise capital gain and earnings, and cut costs;
- Imposes an unnecessarily high cost on passengers; and
- Forces down the incomes of taxi drivers, who are caught between maximum fares chargeable and the requirement to pay increasing returns to the licence owner, whose asset steadily increases in value because of government-mandated supply constraints.

Some jurisdictions accepted these views and deregulated, notably in several US cities, the UK and New Zealand (and the Northern Territory). Several reviews subsequently found that the removal of entry controls resulted in:

- More taxis and improved taxi availability and response times;
- Reduced driver income and a general decline in the quality of drivers and service provided;
- More competition in areas already well-served, less availability in other areas and a decrease in trips outside main traffic areas;
- Increased fares and a decline in service standards (in the UK and Seattle, for example);

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- Taxi markets growing much faster than other parts of the economy (Calgary).

Several jurisdictions have re-regulated after experience of deregulation. The Northern Territory bought back its licences in 1999, and a review in 2004 concluded that the outcomes appear to be favourable. New Zealand cancelled all its licences in 1989, and now appears to be successfully using service quality regulations and increased enforcement in an attempt to manage the industry. A recent review found many issues, most of which have now been resolved, and also found that no performance measures existed that related directly to the taxi industry, and there was inadequate monitoring and enforcing of the taxi industry by the Authority.

Service Quality

Recent reviews in Australia have noted that in de-regulated markets it can be difficult for passengers to select higher quality or cheaper taxis, and have concluded that maintaining minimum service standards and control over fares benefits passengers.

Experience (particularly in Western Australia) suggests that the most effective method of regulation is co-regulation, where the industry is encouraged to self-regulate in many aspects of service delivery and to compete to provide better service, while Government regulates for:

- Safety requirements (drivers, vehicles and passengers);
- Entry standards (such as training and licence requirements for drivers, operators, etc);
- Performance outcomes (and reporting of these);
- Maximum fares; and
- The roles and responsibilities of industry stakeholders, particularly in relation to the provision of customer service.

While elements of these are in place in most Australian states, successive reviews have been critical of the way these have been applied in practice and particularly of the lack or ineffective use of measures of service quality.

Peak Demand

One of the difficulties with regulating the supply of taxis is the inefficient matching of supply to demand. Demand tends to be highly variable during a typical day, and in an efficient market, supply of taxis would vary accordingly, so that taxi utilisation remains at cost-effective levels.

Owner-drivers would have the incentives and ability to work efficiently, but they have tended to become a decreasing minority of drivers in most jurisdictions. In many parts of the world, including Brisbane, day to day supply is now driven by stakeholders who benefit from keeping vehicles on the road at all times, regardless of the actual demand for service. This represents a form of market failure, and is a result of the structure of the industry.

The result is that a large number of taxis share the relatively small revenues available in off-peak shifts, and that the industry is effectively carrying an unnecessary cost (which affects incomes but can also affect fares).

New licences are issued by regulators according to their models of demand (but there is no provision for recall of licences when demand drops). It appears that the regulators issue new licences on receipt of evidence that the current supply does not enable specified service levels to be met (at peak periods). This implies that supply is driven by peak demand, and means that at other times there must be an over-supply of cabs.

There are very few industries where supply is designed to cater for peak demand – there is usually consideration of baseload and peak demand, and strategies to address both.

Several jurisdictions have attempted to introduce a category of licences for peak demand vehicles (including Queensland). These strategies appear not to have been particularly successful, largely because the peak vehicles carry the same cost base as any other taxi, but have a much shorter working life to recover the costs – the approach tends not to be economically viable. This suggests that the approach could be made viable, if the cost base could be adjusted accordingly.

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4.2 The Taxi Driver

Most of the many reviews of the taxi industry comment on the role and position of the driver. All reviews note that:

- The driver is the 'face' of the industry, and public perception of service quality is primarily a result of the interaction the traveller has with the taxi driver;
- Most complaints about service involve the drivers (behaviour, language ability, lack of knowledge of destinations, driving ability, overcharging, etc);
- Drivers derive too little income from their jobs, and there is therefore high churn, resulting in reduced experience and little commitment (a recent review of the industry in Chicago is titled 'Driven into Poverty', a similar review in Maryland has the title 'Dispatching Injustice', etc);
- Licence owners and dispatch companies are not affected financially or otherwise by service quality (their revenues are largely fixed); and
- The industry structure typically does not enable customers to reward or punish poor service, so that normal market forces do not work in the taxi industry.

Drivers are typically reported as having low earnings per hour, and as working long shifts in order to earn sufficient income:

- The Chicago review calculated average income for drivers as US\$4.38, average shift length of 13.1 hours and an average of 25 shifts worked per month. Owner-drivers paying off loans were barely covering their costs, and 28% of drivers were reported to have expenses greater than their incomes (and surviving by working second jobs). The review found that 39% of drivers had been working for four years or less.⁶
- A review of the Toronto taxi industry found that owner-drivers typically worked 70 hours a week, and earned \$6.49 per hour. Lease drivers earned, on average, \$3.44 per hour for a 72 hour week, and shift drivers (leasing a car under what we would call 'set-pay' arrangements) earn on average \$2.83 per hour for 77 hours a week.⁷
- A report on the taxi industry on Maryland has a number of quotes from drivers but no income data. In the report, drivers are quoted as saying 'we are working just to pay the rent ... we need money for our living too'.⁸

The industry typically has low entry barriers for drivers, and there has historically been no lack of people willing to drive shifts for relatively low incomes. The industry has been able to survive despite the inability of the average driver to derive a reasonable income from driving largely because there is no shortage of new drivers. The New York City review, for example, suggests introducing stricter driver licensing and training requirements, acknowledging that taxi operators might then have to offer more appealing packages to drivers to keep them in the industry.

Reviews in Australia have had similar conclusions. In Western Australia, the Transport Minister noted (in 2009) that high service levels are important, but the industry (as a whole) must be financially viable.

Our review of the current state of the industry in Queensland (Section 2) suggests that the position of the driver is consistent with the way it has been described in many other jurisdictions.

⁶ *Driven into Poverty: A Comprehensive Study of the Chicago Taxicab Industry*, Bruno, University of Illinois. April 2009.

⁷ *Toronto Taxi Drivers: Ambassadors of the City*, Abraham, Sundar and Whitmore, Universities of Toronto, Ryerson and York. January 2008.

⁸ *Dispatching Injustice: Cab Drivers struggle in Prince George's County*, Advancement Project. July 2009.

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4.3 The View of the Customer

Various industry reviews identify five main elements of taxi service quality:⁹

- Taxi fare:
 - Considered low in New York in comparison to other states in the US, but users expressed a preference for better service for the fare paid, rather than a reduced fare commensurate with current service quality;
 - Inconsistent (in Seattle);
- Taxi availability:
 - 94% of all taxi trips in New York were hailed;
 - Seattle experiences long wait times and not enough cab stands;
- Taxi vehicle conditions:
 - In New York the average life of a cab is thought to be more than 500,000 km, which suggests that the vehicles must be in a relatively poor state, so the low level of complaints about vehicle condition is thought to suggest that passengers view other service problems as more serious;
 - Seattle cabs were found to be in poor condition, old and dirty;
- Driver quality:
 - Most public complaints involve the behaviour of drivers (refusal over short trips, inability to find major landmarks, poor English, unclean, rude, and discrimination against certain passengers);
- Enforcement of regulations:
 - Seen to be inadequate in Seattle and New Zealand.

4.4 Industry Issues

The reviews on the industry suggest a range of common issues:

- The allocation of industry revenue – drivers are paid too little to remain in the jobs, leading to high levels of churn, resulting in reduced experience and commitment;
- The relationship between taxi drivers, owners and their customers – industry structure does not allow customers to reward good service or avoid poor service, and owners are unaffected financially or otherwise by the quality of service;
- Independent operators seek to maximise investment and cut costs, not provide a quality service;
- Self-enforcement is encouraged only when operators perceive that they have something to lose;
- Enforcement is inadequate;
- The government needs to either improve regulations or improve enforcement; and
- Operators' complacency is at least in part attributable to the protection from additional operators.

⁹ *Fixing New York City Taxi Service*, Schaller and Gilbert. 1996

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4.5 Proposed Solutions

The American reviews suggested several possible strategies to improve their local industries, and eventually adopted combinations of the strategies. The strategies offered included:

- **Continue the status quo** – In New York this was considered likely to increase the number of drivers of shift-leased cabs (who also have the highest rate of complaints), and increased pressure to repeal the prohibition of street hailing for-hire vehicles; and in Seattle was likely to increase the numbers of non-taxis (executive cars, shuttles, courtesy vans), escalate taxi licence values and continue service problems;
- **More effectively enforce rules** – The number of enforcement personnel required to ensure compliance was considered to be staggering, and measuring enforcement by summonses issued could simply lead to a focus on minor offenses of legitimate operators, and not major violators. Fining or eliminating bad drivers was considered unlikely to affect the overall quality of other drivers, since it would not affect their incentives;
- **Adopt new regulatory programs** – To target drivers who persistently break the law or regulations, providing re-training, suspensions, etc, and apply similar programs to taxi owners who similarly break the rules or employ the drivers previously mentioned. There were considered to be enforcement issues with this, and enforcing courtesy, language skills and careful driving was considered to be difficult;
- **Establish stricter driver licensing and training requirements** – Makes it more difficult to get into the industry, but doesn't necessarily provide better drivers (with increased English skills and driving skills). Given that experience in the job is what's considered very important, and not their ability when they start driving, increased screening and testing means little. Reading and writing tests may not be the best mechanism; aural tests would be more useful, but are more time and cost intensive. However, a possible impact may be that the supply of drivers may reduce to the point that taxi owners will be forced to offer more appealing packages to drivers to convince them to stay in the industry;
- **Lift the cap on the number of taxis** – 50 years of capping licences has resulted in their values becoming so high that owners focus solely on protecting their investment. This can improve wait times for customers, but will be unlikely to affect other service quality measures;
- **Hold licence owners more responsible for service quality** – Moving licences from being speculative investments, to an opportunity for a person to provide a quality taxi service. This could include making licence holders drive the taxis, or forcing them to notify if the operating responsibilities are transferred to management companies. However, this does not improve the relationship between drivers and owners, and does not necessarily encourage owners to accept more responsibility. Owners, and the taxis they own, are not identifiable to the customers. This could change by creating identifiable colour schemes with separate phone numbers (effectively creating some competition in the industry). Enabling the use of 2-way radios to better service for street hails (which this strategy helps the least). Taxis would then become responsible for their brand, and allow customers to punish poor performing taxi owners;
- **Regulate driving working conditions** – This could include regulating the rates that licences can increase to, so that increases in driver incomes are not wiped out by climbing licence costs. However, caps can be circumvented by forcing under-the-table payments by drivers, or reducing car maintenance payments. However, licence-only leases are greatly benefitted by these caps, as these holders are even less responsible for service levels as they don't even own the cars. Removing leasing would likely result in non-driver owners hiring drivers on a commission basis, resulting in them having to share risks. While this may foster a better driver-owner relationship, it creates the incentive for drivers to work "off-the meter";
- **Restructure taxi licence ownership** – Create more owner-drivers by converting the licences whenever they are sold. It may take some time for this transition. Significant modifications to status quo – uniform fare structure, outlaw the sale of taxi licences (require them to be returned to the government when no longer used), allow an increase in the number of taxi licences (including FHVs);
- **Consolidate the industry into several large organisations/companies** - Running a "franchise" system, by providing rights to pick up passengers within a defined area (similar to the situation at the Seattle airport). This introduces responsibility and a single contact point for the government. Alternatively, allow multiple companies to introduce their own (coloured) cars with set minimum entry levels (cars, phones, age of cars), to introduce some regulated competition.

Some of these are useful ideas, and worth considering for the Queensland industry.

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5.0 Strategies for Change

The strategies presented in this Section are suggestions for consideration to move the industry towards the vision of the future:

"More people, using more taxis, more often"

Consideration of the issues identified and possible solutions led to an extensive set of 'candidate strategies', which were included in a document sent to industry representatives (those interviewed earlier) for comment.

The 'candidate strategies' were grouped into themes to make the review process easier. The themes were rated against the success criteria developed during the issue collation process, to provide a means of ranking them in priority order.

This Section summarises the final set of strategic themes, providing the rationale for adopting them and in some cases an assessment of the probable impact of doing so. Full documentation of the strategies and the way they evolved from consideration of the issues is available in the attachment provided with this report.

The industry has a complex set of issues to deal with in achieving its vision. In broad terms, the strategies available involve:

- Protecting market share against other private operators that is being eroded, and competing more effectively in those market segments to achieve long-term growth for the industry;
- Extending into (relatively) new areas by pursuing integration opportunities with public transport operations;
- Pursuing a range of opportunities to improve the financial position of drivers and operators, which in turn will put them in a better position and have better incentives to offer innovative services to customers;
- Improving driver quality and performance management, to improve the quality of service offered to customers;
- Improving participation and representation of all stakeholders in the industry;
- Revising fare structures and management;
- Improving the physical infrastructure used by the industry, so as to improve customer service; and
- Removing or mitigating impediments to industry performance or growth.

5.1 Protect and Recover Market Share

Interviewees have repeatedly noted that the industry is not competing effectively in the community services, tourism and health market segments, and has lost market share to courtesy van operators, privately operated buses and other private transport service providers.

There is no data available on the size of these markets, but they are clearly growing, especially in tourist destination such as Cairns. Some of these competitors are not subject to regulation, which can make it difficult for the industry to compete.

There are a number of ways to address this. The industry can:

- Coordinate its efforts to develop a viable proposition for the supply of taxi-based services for these markets, and market to the groups and companies who would buy the services.
This may require adaption of existing multi-hire (share-riding) fare structures, and may require the development of new fare structures to enable the industry to compete effectively in these markets.
- Lobby for its competitors in these markets to be made subject to similar regulations that the taxi industry operates under, to establish a level playing field for competition; and
- Lobby for its own regulations to be adapted to enable it to compete effectively, specifically to allow direct marketing in these market segments.

It should be noted that these strategies do not require leadership from TMR, although TMR would be involved if regulatory changes are required.

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The strategies require the industry to take coordinated action itself for its own benefit. The fact that this does not seem to have happened so far is a further issue that we address in Section 5.5.

5.2 Develop New Markets

There are possible new markets in various sections of public transport, where it could make economic sense for taxis to be used in place of or to supplement existing public transport.

Taxis are a legitimate form of public transport, and the range of vehicles employed in the industry could become a valuable resource for passenger transport solutions where their relatively low cost or their flexibility can provide advantages to travellers. Taxis could add significant value in:

- Flexible transport solutions, to carry passengers on trips that would not be practical using buses;
- Feeder services, bringing small numbers of passengers to a bulk transport facility (bus or train); and
- Replacing buses or trains on routes where patronage is low and where taxis provide a lower cost option.

Solutions along these lines have been trialled, and are in fact working now (in Cairns, for example). A more comprehensive approach may be needed to develop these ideas into common use.

The size of these possible markets has not been estimated to date, and would depend significantly on the comparative cost of the taxi service per passenger. There is clearly an opportunity in this area, however, which should be addressed.

The industry could, for example:

- Establish a more comprehensive set of pilots to prove the concepts, carried out with the taxi industry working collaboratively with TMR;
- Contribute towards TMR's policy development activity; and
- Negotiate in-principle contracts with TransLink and TMR for use in delivering these services.

Policy development and regulatory changes are clearly a TMR responsibility, the industry is likely to experience quicker development and end up with a more satisfactory service contract if it works collaboratively with TMR.

5.3 Improve the Financial Position of Drivers and Operators

It should be clear from the earlier Sections of this document that drivers are, on average, earning below minimum wage. A link has been made between the returns available to drivers and the quality of service that could be expected from them. The same issue applies to operators, who have no incentive to improve the quality of their vehicles if they are barely able to make a living from running a fleet. A higher quality of service will require an improvement in the rewards available.

It does not make sense for drivers to offer lower services at less than maximum fares, because drivers are already earning below minimum wage. The driver and the operator are the stakeholders with income at risk – the dispatch company is hardly affected because its revenue is fixed.

Structural reform of the industry could enable substantial improvement in the quality of service offered, in passenger transport outcomes, and in overall cost of service. In summary, the industry cost base is higher than necessary because:

- 11% of the revenue from fares must currently be used to provide a return on investment to licence owners, who in Brisbane at least are almost entirely passive investors who have leased the right to use their licence to operators or the dispatch companies;
- There are too many vehicles on the road during off-peak periods, which has driven down average driver earnings during those shifts to unsustainable levels and resulted in the many operators making a loss during those periods;
- The majority of the vehicle cost is fixed annually. This makes it uneconomic to run peak licences under current regulations, which would otherwise relieve pressure on earnings during off-peak shifts; and
- The industry is having to cover the cost of several dispatch systems, each of which could by itself be used to run dispatch for the entire State of the dominance of EFTPOS and dispatch companies in Brisbane.

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5.3.1 Strategies to Improve Financial Position

Resolving these issues is more problematic, especially if operators feel that their cash flow is at risk. It is also worth repeating that de-regulation (moving away from regulation of licences) has been ruled out of scope for this strategy.

The issues can be resolved without de-regulating, however. There are several strategies that could be adopted, preferably as one package, to achieve that end. Unfortunately, experience in Australia (and offshore) has shown that regulators appear to be reluctant to implement strategies of this kind. Strategies like this have been shown to work in other areas (such as the towing industry in Victoria), and they appear to have been applied successfully in New Zealand and the Northern Territory.

The strategies recommended are:

1. Restructure the dispatch function, by:
 - Requiring the dispatch function, the leasing and fleet operations business, and the training business to be separate businesses, and revising the dispatch service contract to ensure impartiality of dispatch to all affiliated operators, and to provide for effective offload between dispatch companies;
 - Requiring EFTPOS service providers to establish merchant agreements with operators (not the dispatch companies);
 - Requiring dispatch costs to be recovered via booking fees or some other means, but not as fixed cost affiliation fees (which will enable risk to be aligned more closely with revenue);
 - Requiring standard retail arrangements to be applicable to the taxi industry (transaction fees, accountability, etc);
 - At a later stage, considering a single State-wide dispatch system with local call-centres, outsourced by tender, to be operated under a service contract providing a suitable profit margin (similar to TransLink's contracts with bus operators).
2. Establish operators as TMR's primary points of contact into the industry, by:
 - Developing the operator accreditation into a more comprehensive contract which includes assignment to the operator of responsibility for service and driver performance, and includes measures to ensure that drivers are treated fairly;
 - Specifying a maximum fleet size (to ensure that competition between operators is not constrained by consolidation);
 - Removing boundary restrictions, instead requiring operators to locate depots within specific locations (to ensure service is provided in areas which currently are not well served); and
 - Assisting the development of an operator representative body for liaison and representation purposes.
3. Minimise the vehicle fixed cost base, by:
 - Working with operators and their service providers to migrate annual costs to per shift costs where possible (including vehicle licence costs, insurance, etc);
 - Assisting the industry move away from fixed affiliation fees to per shift or bookings-based affiliation.
4. Revise licence management, by:
 - Enabling new vehicle supply as necessary only through the issue of leases, and banning sub-leasing;
 - Replacing existing licences (over time) with leases, possible by using existing lease payments for a period of time to buy back the licences so that value is not destroyed, but the strategy is cost neutral to the State;
 - Retaining existing licences as leases for long-term baseload, and issuing new leases for peak periods only (provided the cost base has been moved from annual fixed to shift-based).

These are clearly strategies that must be implemented by the government through TMR.

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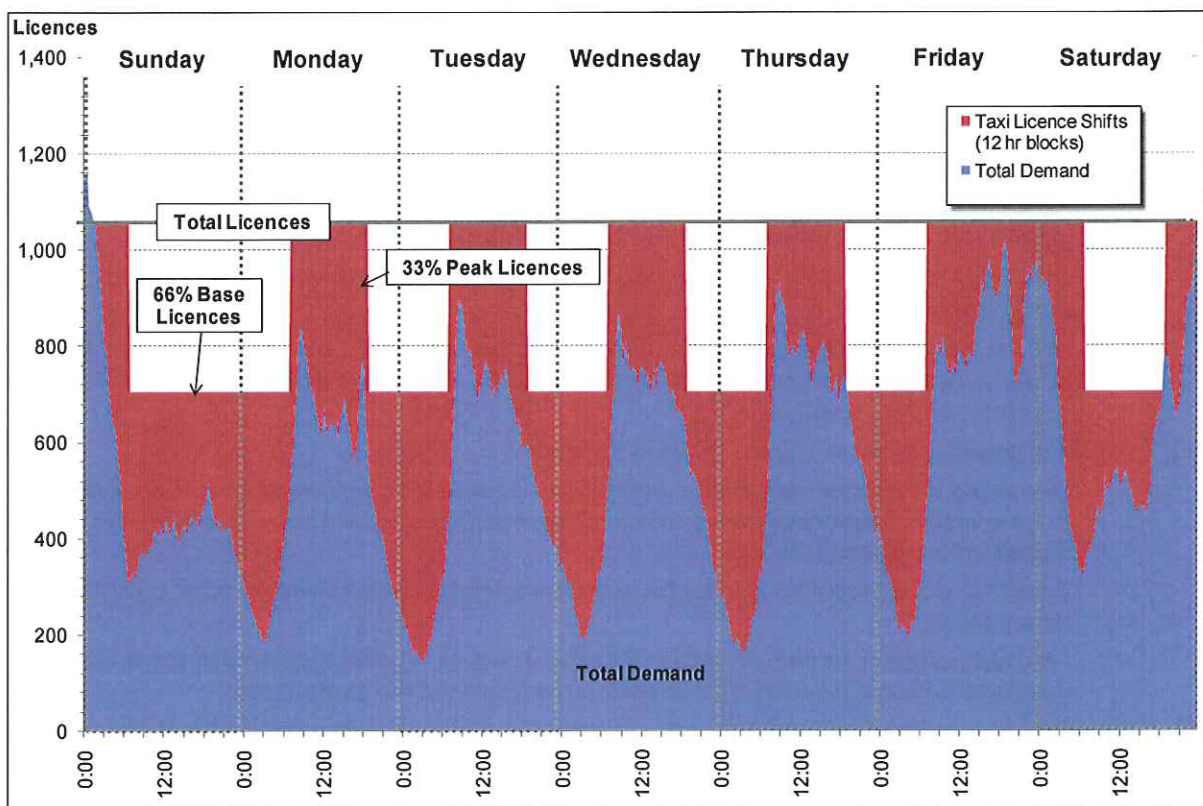
Some of these strategies will have flow-on effects that will further improve industry performance. For example, requiring EFTPOS service providers to deal directly with operators will re-introduce competition into the market. The re-introduction of competition will force drive to reduced handling fees, for the direct benefit to customers.

Because of the significance of these strategies, we developed an operational model of the taxi industry in order to estimate the impact of the core strategies on the industry.

5.3.2 Shift Cover Under a Possible Peak Licence Management Regime

A peak management system designed for a baseload representing 66% of current licences, with the remaining licences released for peak shifts only, could provide shift cover similar to the illustration in Figure 5-1. The figure uses TMR demand data for Q1 2009 (in blue), with the shift cover (in red). The current (actual) shift cover is indicated by the black line labelled 'Total Licences'.

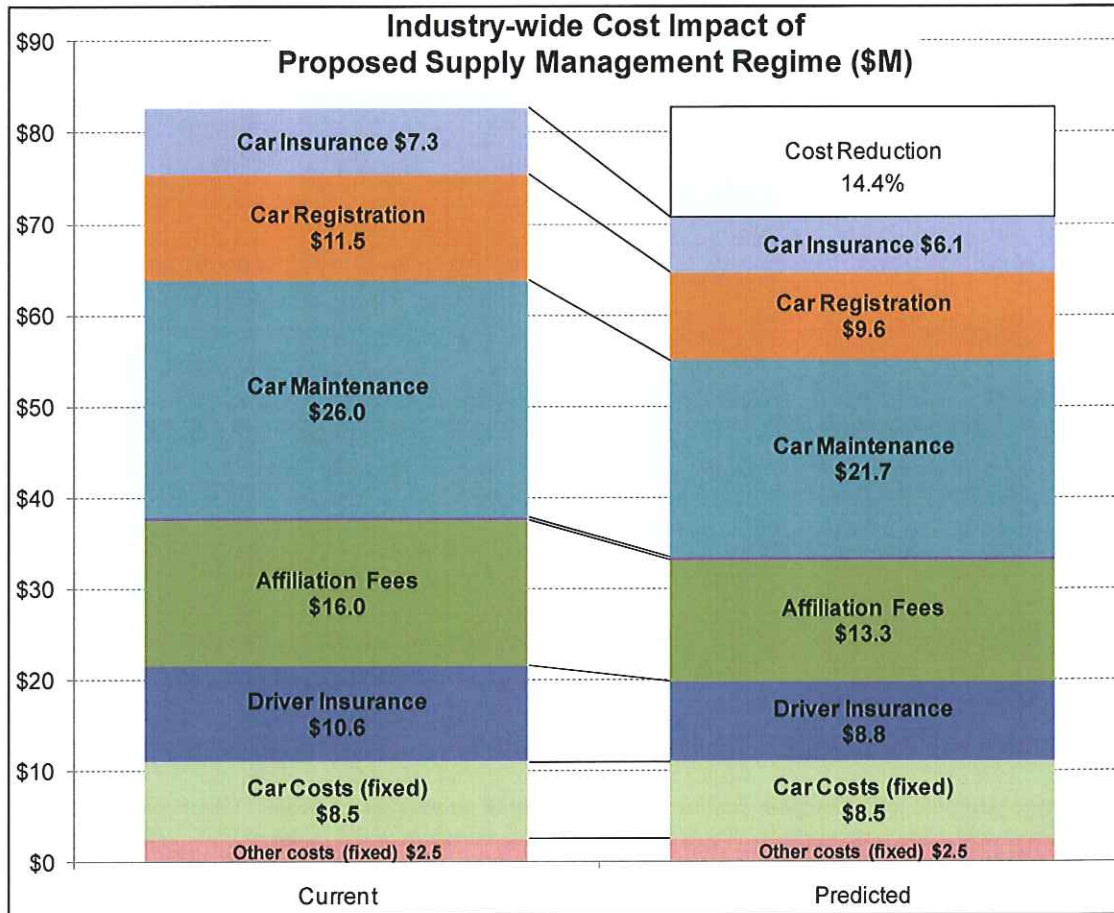
Figure 5-1 Illustration of a possible peak management regime (TMR data)



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5.3.3 Cost Impact of a Move From a Fixed Cost Base to Shift Cost Base

Figure 5-2 Cost impact on the industry of the possible supply management regime (operator-supplied data)

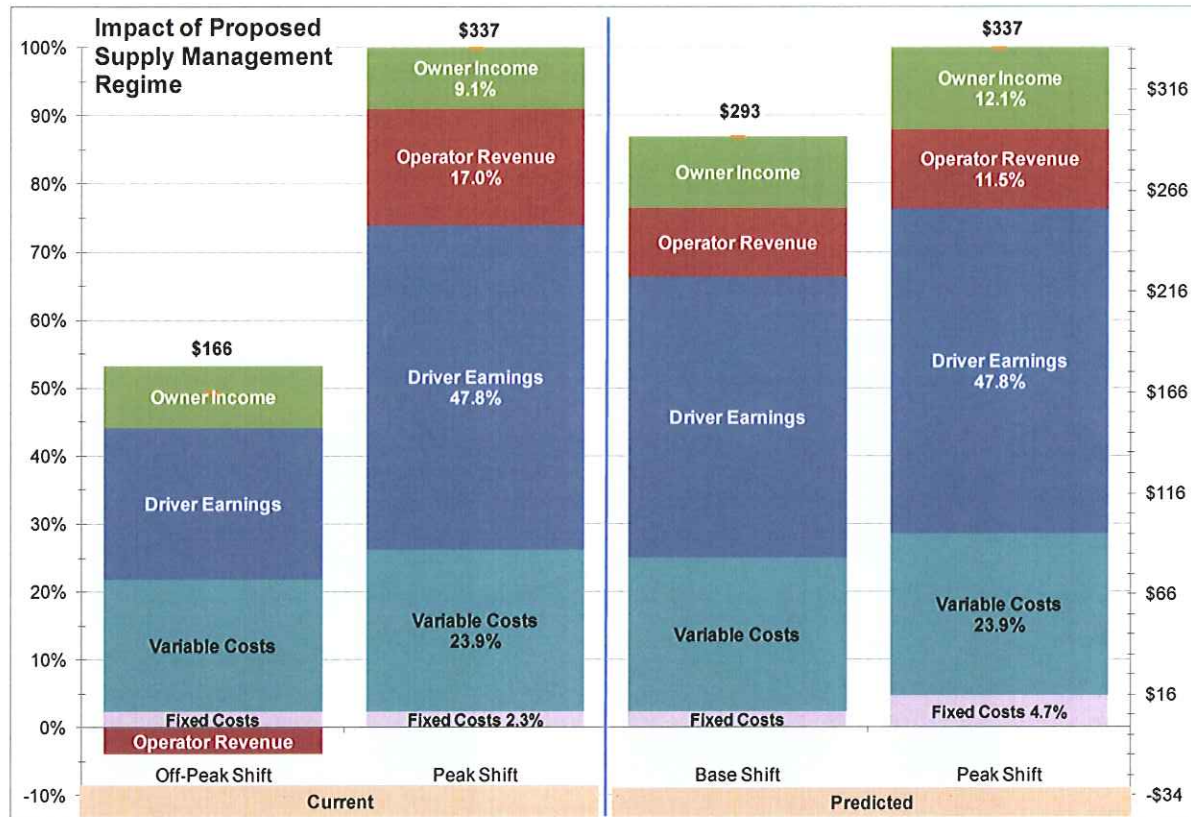


The model indicates a potential cost reduction to the industry of 14.4% for the possible supply management regime being considered for illustrative purposes (66% baseload licences, the remainder being peak licences, with all vehicle costs established on a shift basis except for financing costs for the vehicles, licence or lease payment still required).

The impact is more obvious if looked at on a shift by shift basis (Figure 5-3). The outcome is only slightly different from current activity during peak shifts, but under this regime profitability improves markedly during off-peak shifts, where fewer vehicles chase the revenues available, so the average earnings are considerably better.

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Figure 5-3 Impact of possible supply management regime per shift (operator-supplied data)



The average payment to the lease or licence owner represents an average of about 11% of costs across all shifts. The total cost reduction potentially available to the industry is therefore of the order of 25%. While part of this potential saving should be allowed to accrue to operators and drivers, it allows the possibility of reasonably significant fare discounts, which would help to grow the industry and benefit customers.

Stakeholders, customers or both currently have to pay more than the efficient cost of supply for their taxi services because of the way the industry is currently managed:

- The extra cost of the current, cost-inefficient licence management system is approximately 14% of current fares (or approximately \$120 million in total); and
- The extra cost of the current licence system is an additional 11% of current fares (or approximately \$90 million in total).

5.3.4 Driver Retention (churn)

There is no reliable data on driver turnover (churn). Offshore experience is that drivers with four or more years of experience tend to provide better service, and it seems reasonable to expect that to occur in Queensland as well. Improving earnings for drivers and improving authorisation processes will clearly significantly improve the lot of the driver. The lack of useful data on this topic is an outstanding issue that should be addressed:

- Improve data management systems in relation to drivers, to inform policy and strategy.

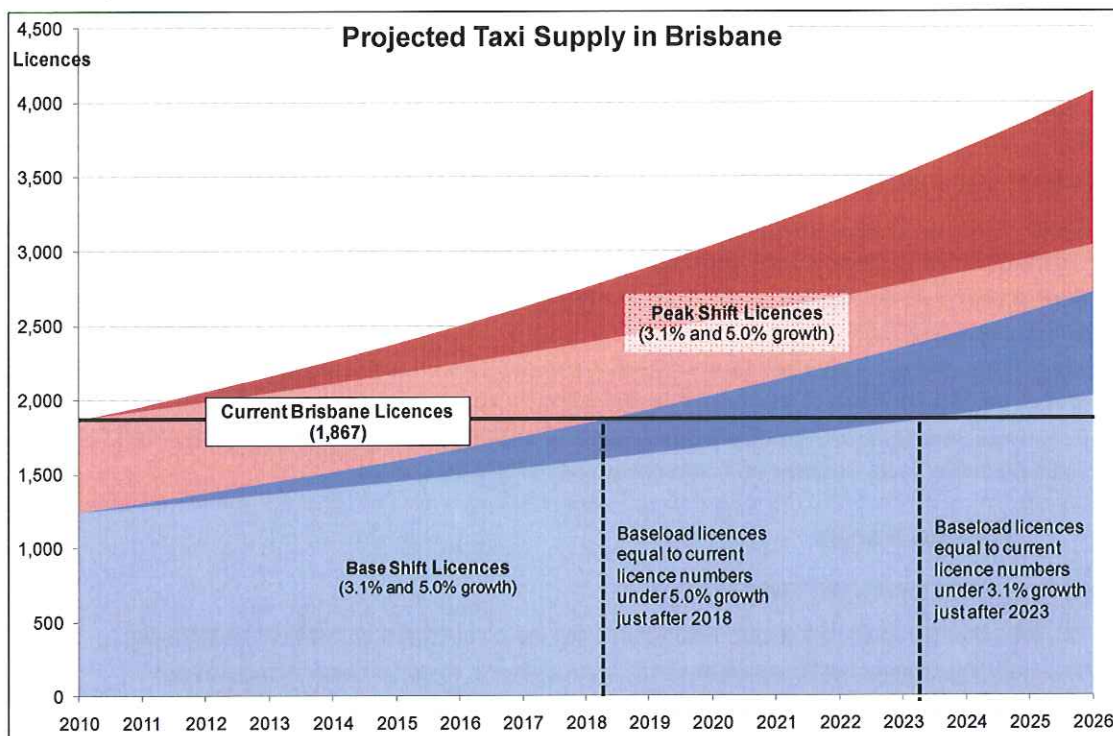
5.3.5 Projected Licence Numbers

The strategy suggested of issuing peak leases only from now on will have the effect of enabling the current licence base (in Brisbane) to become the full baseload required (assuming that 66% is adopted as an effective baseload) sometime between 2018 and 2024, depending on population growth over that period (Figure 5-4).

From that point onward, new baseload leases would be required to match population growth. That point will of course occur earlier if the industry grows in market share as a result of implementing the other growth strategies.

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Figure 5-4 Projected taxi supply in Brisbane



5.4 Improve Driver Quality and Performance Management

The quality of the service provided to the customer is primarily the responsibility of the driver (although the operator is responsible for the presentation of the vehicle). A great deal has been made in the press recently of the perception of poor service offered by the most recent cohort of drivers, and pressure has been applied to modify Federal regulations allowing immigrants to drive taxis.

There is also a strong view that driver profile checks are not effective, that competency testing and the training provided are inadequate, and that far too many new drivers are being trained in an environment where the industry already has full shift cover.

TMR (and other agencies) are currently revising policy and reviewing training in this area, and reforms are being prepared. A uniform taxi driver training framework is being developed (by the National Taxi Regulators Group).

There are other issues that do not appear to be addressed, such as the delays currently being experienced in delivering driver authorisations, and the desire to attract female and disabled drivers.

The proposed change of focus to operators may encourage them to introduce their own livery for their fleets, which would make them identifiable by customers. This will enable customers to choose whether or not to be served by members of a particular fleet, and act as a significant control on driver and vehicle performance.

Possible strategies to address these issues include:

- Move responsibility for driver training to an independent training provider;
- Modify the authorisation process so that it is initiated by the training provider, who should collect the data required from the driver and pass it to the authorities, with a view to having authorisation ready by the time training is finished;
- Ensure that accurate and timely information on job prospects is available to prospective drivers before they commence training;
- Make operators responsible for driver performance (as noted in Section 5.3.1) and for the provision of driver-related data to TMR;
- Rationalise the complaints process to one number, and introducing an independent ombudsman (or equivalent) to deal with complaints; and
- Encourage fleet operators to introduce their own livery to promote recognition of their own brand.

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5.5 Improve Participation and Representation for all Stakeholders

It has been made clear to us that drivers and operators do not feel represented or have sufficient voice to promote their views in industry forums. A small number of drivers are members of the Cab Drivers Association of Queensland, but most appear to be silent. Some operators participate in advisory committees run by the dispatch companies, but have no direct contact with the regulator or Government.

The Victorian model appears to work well, and should be considered for adoption in Queensland:

- Establish representative groups for each of the main stakeholder groups in the industry (drivers, operators, dispatch companies and licence owners);
- Form a new peak industry body consisting of nominated representatives from each of the stakeholder groups, including TMR;
- Support the new groups as necessary until they are self-sufficient, and provide regular communications to all groups on State or Federal developments that affect the industry; and
- Encourage all stakeholder groups to develop formal and informal relationships with the Police and other State agencies, local Councils and community special interest groups.

5.6 Revise Fares

Several fare-related issues were raised, including:

- The view that the multi-hire (share-riding) rules are too complicated and should be simplified;
- The inappropriateness of Brisbane-based fare structures in regional Queensland, where:
 - Operating costs can be much lower than in Brisbane (and there is therefore an opportunity to reduce fares that tends not to be taken);
 - Operating costs can be higher than in Brisbane, and drivers are scarce or impossible to find (rural mining towns, where drivers have to be attracted with better earnings, which requires higher fares).
- The success of flat (NightLink) and zonal fares;
- The higher cost associated with wheelchairs;
- The need to provide incentives for drivers to go to areas with high personal risk; and
- The need to reward drivers for taking passengers to remote destinations with little or prospect of return fare (the cost and time needed for the dead run back).

TMR is currently revising its taxi licence model used for determining the need for additional taxi licences, and intends to submit a paper to Cabinet on the model in the near future. We are not aware of the extent to which the revised model will address the issues raised here.

There are opportunities to allow for innovation in service delivery, but this will require that drivers and operators have the capacity to reduce fares, as described in Section 5.3.

Possible strategies include:

- Revise the current multi-hire (share-riding) scheme to make it easier to apply and understand for both drivers and customers;
- Revise the current multi-drop controls to allow for innovation in service delivery by the industry;
- Provide for regional fare variations based on local working conditions and costs;
- Extend the use of NightLink and zonal fare services to the rest of the State; and
- Enable the use of surcharges in specific circumstances.

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5.7 Improve the Physical Infrastructure Used by the Industry

There are a number of issues in relation to ranks, pickup and drop-off zones that need to be considered:

- Increase the amount of rank space and the number of rank locations, particularly for use during periods of traffic congestion;
- Improved sign-posting of ranks to make them easier for customers to find;
- Improved the condition of the ranks by providing increased shelter, improved access for wheelchairs, and alternate locations away from high risk areas (pubs, night clubs, etc);
- Drivers are being fined for parking offences, by picking-up or dropping-off at unpermitted locations;
- Taxis are not able to use busways (when not in use) and areas adjacent to stadiums; and
- The current operation of cameras could be improved to increase security.

Brisbane City Council and other organisations have participated in trials involving rank marshals and grouping of taxis at ranks according to end destination (Creek St in Brisbane). The trials are seen to be very successful. Security is now present at some high risk ranks, which has demonstrably improved safety for both drivers and passengers at those ranks.

Strategies to improve physical infrastructure include:

- Establish good working relations with the Councils and the local police, so that avenues exist for airing and resolving parking and rank-related issues;
- Negotiate with the police for easier working arrangements for pickup and drop-off;
- Extend the use of managed ranks, marshals and / or security to other high risk ranks, and make suitable arrangements to cover the cost of this service (by surcharge, Council sponsorship, etc);
- Participate in Council planning sessions where possible to ensure that due consideration is given to taxis when planning road and kerb layouts;
- Review options for use of busways and other infrastructure with TMR and local Councils; and
- Review safety in cabs and particularly the value provided through the use of cameras.

5.8 Remove or Mitigate Impediments to Industry Performance

There are a number of other issues raised that don't fit naturally into the groups outlined above. These include, for example:

- Efficiency and safety gains available to the industry if dispatch systems could track taxis for rank and hail as well as dispatched work;
- Limited access to bulk purchasing arrangements for smaller operators (for fuel);
- The limited use of peak demand management plans for times of traffic congestion or peak demand;
- The cost and inefficiency of TMR services and inspections;
- The current inability to use Go Cards in Brisbane taxis;
- The relatively high cost of insurance; and
- The limited choice of vehicles and limited information on options.

Dispatch functionality is currently being addressed by the industry, and some of the issues have already been addressed. The other issues that could be considered:

- Examine the case for introducing industry-wide fleet cards for fuel, leveraging an existing service;
- Use the new representation arrangements to communicate service delivery issues to TMR and achieve improvements; and
- Industry could fund evaluation processes for new vehicles (including green vehicles).

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6.0 Delivering a More Effective Taxi Industry

The majority of the strategies identified for consideration will require industry to either lead them or provide substantial support. This suggests that improving representation and communications among all stakeholders should be addressed before any other substantive action is taken.

It is considered likely that there is pent up demand for exactly the representation described, and that it could develop very quickly once the participants feel that it is safe to go down that route.

Reform is required, however, and that must be instigated and delivered by the State.

Experience in Australia has shown that there is a high risk that political will to push through reforms dissipates easily – many reviews of the industry, including the IPART reviews of the New South Wales industry, have commented on the absence of follow-through of promised reforms.

On the other hand, the Northern Territory, New Zealand and to some extent West Australia have successfully introduced reforms, indicating that it can be done effectively if done as far as possible in one hit.

The strategies identified may be best approached in Phases, ensuring that implementation is done in the optimum sequence but allowing action to focus on specific deliverables in each Phase.

The Phases suggested are presented in Figure 6-1.

Figure 6-1 Reform strategies for consideration

| Phase | Action | Purpose |
|-------|---|--|
| 1 | <ul style="list-style-type: none"> Establish representative groups for each of the main stakeholder groups in the industry (drivers, operators, dispatch companies and licence owners); Initiate a review of operator accreditation contracts, so that the terms and conditions used support the objectives of this strategy (and do the same with drivers in due course) | <ul style="list-style-type: none"> Improve participation and representation, and to establish a formal relationship with operators Establish operators as primarily accountable for service quality |
| | <ul style="list-style-type: none"> Regulate to require immediate separation of the dispatch function from fleet operations, licence ownership, training and any other non-dispatch functions carried out Revise the dispatch contracts to support this strategy | <ul style="list-style-type: none"> Remove the cab companies' power base Enable operators to establish merchant agreements with the EFTPOS providers instead of the cab companies |
| | <ul style="list-style-type: none"> Enhance the rank marshall program Assist the industry negotiate for solutions for pickup / drop-off in the cities Improve multi-hire fare structure and promotion Assist the industry in negotiations to improve infrastructure (ranks, signage, etc) | <ul style="list-style-type: none"> Improve safety and efficiency in the industry Enable the industry to provide the point-point services expected without risk of fines, etc Improved and safer rank facilities |
| | <ul style="list-style-type: none"> Develop, announce and initiate policy to terminate issuing of new licences, in favour of non-transferable leases Review training accreditation processes and requirements Introduce ombudsman for industry and restructure complaints processes, etc Improve communication with all stakeholders via their representative bodies | <ul style="list-style-type: none"> Restore a more equitable balance of power in the industry Prepare for restructuring of supply management Move training to 3rd party training providers (TAFE) Enable independent management of driver and customer complaints |

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| Phase | Action | Purpose |
|-------|--|---|
| 2 | <ul style="list-style-type: none"> • Address current fixed cost base to move the industry to a per-shift cost base (licence, insurance, affiliation, etc) • Revise supply management processes to provide an appropriate base and peak supply • Introduce a set of trials for new transport solutions and concepts | <ul style="list-style-type: none"> • Optimal match of cab supply to customer demand • Allow introduction of flexible fares and services • Reduce the industry's cost base • Expand the taxi industry into new markets, for the benefit of the industry and the customer |
| 3 | <ul style="list-style-type: none"> • Encourage the replacement of TCQ with a representative industry body (including TMR) • Assist the industry with marketing of services to community groups, etc • Review public transport policy to make better use of taxis in flexible transport services • Revise information flows and performance reporting | <ul style="list-style-type: none"> • Grow the industry • Improve passenger transport outcomes |
| 4 | <ul style="list-style-type: none"> • Tender for and implement a single state-wide dispatch system; or require all cabs to affiliate with all local dispatch systems • Implement licence replacement program | <ul style="list-style-type: none"> • Complete industry reforms |

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Appendix A

Reference Documents

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Appendix A Reference Documents

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| 21-Sep-09 | Black and White Cabs - Driver Shift Averages | Black and White Cabs Brisbane |
| 21-Sep-09 | Taxi Driver Incomes - Peter Dowse | Peter Dowse |
| 11-Sep-09 | B&W Cairns Taxi Data - Dispatched Bookings by Method - Explanatory Notes | B&W Cairns |
| 10-Sep-09 | Taxi benchmarks and examples | ATO |
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| 27-Jul-09 | Taxi cents per kilometre rates | ATO |
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| 01-May-09 | The Case for Taxi Deregulation (Canada) | David Seymour |
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| 01-Mar-09 | Economic Review of the Small Public Service Vehicle Industry Commission For Taxi Regulation | Goodbody Economic Consultants |
| 01-Jan-09 | Demand Responsive Transport - A Review of Schemes in England and Wales | Rebecca Laws |
| 22-Oct-08 | 3rd Generation Service Contract | QT |
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| 01-Apr-08 | Taxi Industry Health and Safety Committee - Terms of Reference | QT Passenger Transport Division |

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| 01-Jan-08 | QT Taxi & Limousine Divisional Strategic Plan | QT |
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| 01-Nov-07 | Vic Taxi Directorate Three-year Strategic Plan | VTD |
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