

**REVIEW OF THE TAXI AND LUXURY HIRE CAR  
INDUSTRIES ACT**

February 2007

## **INTRODUCTION**

The *Taxi and Luxury Hire Car Industries Act 1995* (the Act) establishes the regulatory framework for taxis (including wheelchair accessible taxis) and luxury hire cars in Tasmania. The primary means of regulating these industries is via a licensing regime.

The Act was reviewed in 2006 with the assistance of a working group and industry. The preliminary results of that review are presented below.

The Department of Infrastructure, Energy and Resources is now seeking feedback from the broader public and particularly from taxi users.

## **BACKGROUND**

The Act was last amended significantly in December 2003 to give effect to:

- National Competition Policy (NCP) related reforms regarding the release of new taxi licences; and
- the introduction of Wheelchair Accessible Taxis (WATs).

The NCP amendments were developed following a review of the Act conducted in 1999-2000. The review focused on the restrictions on competition in the taxi and luxury hire car industries and whether the restrictions contained in the Act were of net benefit to the public.

During the course of the 1999-2000 Review, a number of issues were raised which were outside the Review's terms of reference. The Review Group recommended that a working party be established to consider these issues. In his Second Reading Speech for the *Taxi and Luxury Hire Car Industries Amendment Bill 2003* (December 2003), the Minister for Infrastructure committed the Government to establish this working party.

The Tasmanian Government, through Treasury, also gave a formal commitment to the National Competition Council (NCC) that the outcomes of the 2003 amendment legislation would be reviewed on a regular basis.

In addition to the issues identified in the 1999-2000 NCP review, additional matters have emerged since then that are of interest to the industry and the Department of Infrastructure, Energy and Resources (DIER).

Additionally, the *Taxi Industry Regulations 1996* (the Regulations) are due to expire on 31 December 2007. The Regulations specify the process for licensing taxis, prescribe minimum requirements for vehicles and set requirements for drivers.

Given this, it is sensible to review both the Act and the Regulations simultaneously, as changes to the Act may require significant re-shaping of the Regulations.

For these reasons, DIER considered it appropriate to embark on a comprehensive review of the Act and Regulations, a process that commenced in late 2005.

## **REVIEW PROCESS**

DIER established a Taxi Industry Reference Group (TIRG) specifically for the Review as the primary means of obtaining input from industry.

Expressions of Interest for participation were invited in addition to nominations of individuals received from third parties. Ultimately, a group of 11 persons was formed, representing an effective cross-section of industry participants including drivers, operators, licence holders and network representatives. Regular meetings with the TIRG have been held since January 2006 and the minutes of all the meetings are available on DIER's website. Each meeting of the TIRG focused on a particular subject.

To facilitate discussion, DIER provided a comprehensive issues paper on each topic in advance of the meeting. Each of these papers is available on DIER's website. The papers present all of the relevant issues and canvass a range of possible policy responses with reference to the various approaches adopted in other jurisdictions. Specific questions are highlighted throughout each paper to encourage feedback and comment.

Supplementary meetings were also held with specific groups from within the industry, such as luxury hire car (LHC) operators. All known relevant parties were sent letters inviting them to attend. A Steering Committee within DIER, including officers experienced in dealing with taxi industry issues, was established to identify DIER's response to each issue. Where available, this involved consideration of submissions from industry.

As a result of the Review, DIER has prepared a final discussion paper setting out the draft policy proposals on each of the issues raised. A copy of the full paper is available on the Department's website at:

[www.transport.tas.gov.au/miscellaneous/taxi\\_review.html](http://www.transport.tas.gov.au/miscellaneous/taxi_review.html)

A summary of the major recommendations is included below.

## **MAJOR RECOMMENDATIONS IN SUPPORT OF OUTCOMES**

### **1. Improve Customer Service**

#### **(a) Shift Industry Focus from Investment to Service Provision**

Reforms are considered necessary in relation to standard taxi licences. These licences have attracted considerable value over time. The increase in licence values has been attributed to the leasing of licences, together with their scarcity (no new perpetual taxi licences have been released for many years).

DIER considers that while high licence values are of benefit to licence holders, they detract from the level of service provided to passengers. High licence values lead to increased lease costs for operators, resulting in pressure for fare increases. These fare increases are borne by passengers. High licence values and increased costs for operators may also lead to cost cutting in other areas such as vehicle maintenance, safety and remuneration of drivers.

DIER proposes that to ease this pressure:

- That new perpetual taxi licences, issued from 2008 onwards, should be required to be owner-operated.

This is the case already with WAT licences and LHC licences. That is, leasing of these licences is prohibited. It is anticipated that these licences would attract a lesser value than existing licences, as they will not be available to investors.

The ability to obtain lower cost licences should provide operators with flexibility to introduce price competition, improve service standards and ensure that drivers are appropriately rewarded.

## **(b) Encourage Introduction of WATs in Regional Areas**

Despite WAT licences being available in unlimited numbers in regional areas for the past three years, no applications have been received for such licences.

DIER proposes to:

- Specify a trip subsidy payable for the carriage of wheelchair-reliant passengers by WATs in non-metropolitan areas.

This may create some incentive for operators to take up WAT licences in these taxi areas. At present, trip subsidies are only specified for the four urban areas of Hobart, Launceston, Burnie and Devonport.

- Allow existing WAT operators to undertake wheelchair jobs in other taxi areas that do not have a WAT service.

This can be achieved as a licence condition. It is hoped that this would encourage the provision of services to wheelchair-reliant passengers outside metropolitan areas in the short-term. The licence condition would be revoked once a WAT service is established and based in that area.

- Relax the vehicle requirements for WATs in remote areas.

Second hand vehicles would be able to be used as WATs in nominated areas. This includes used vehicles that have never previously been registered as a WAT.

- Allow standard taxi operators in remote areas to use accessible vehicles to provide a WAT-style service under a perpetual taxi licence.

This is intended to encourage provision of services in remote areas in the short-term. Access to the wheelchair tariff and trip subsidy would be provided in the most rural areas where no WAT service currently exists.

## **2. Improve Customer Safety**

### **(a) Increased Enforcement**

The priority for Transport Inspectors has been focused on heavy vehicle safety compliance and enforcement activities.

Further, a number of shortcomings in the existing regulatory scheme have come to light in recent times. In particular, the Transport Commissioner's powers to act against licence holders and accredited operators are quite limited, even in cases where passengers have been threatened and intimidated.

To overcome this, DIER proposes:

- A large increase in annual licence fees.

This will fund increased enforcement to ensure compliance with safety standards. Licence fees are currently \$121 for standard taxis, zero for WATs and \$36.30 for LHCs. DIER proposes a significant fee increase in annual licence fees for all licence types. An annual fee of 485 fee units or \$586.85 is proposed.

- To provide the Commission with greater enforcement powers.

Increased powers to cancel and suspend licences and greater enforcement powers over accredited operators are proposed.

- To give the Commission power to accredit an operator on a provisional basis.

This would apply in cases where the person is an associate of another person who has had their accreditation revoked or cancelled.

- Non-payment of annual licence fees should cause a licence to be invalid and unable to be operated.

This step is considered necessary as at present, the Commission has little enforcement power regarding non-payment of the annual fee.

- To provide the Commission with consistent powers to add licence conditions to all classes of licence.

#### **(b) Standardised Driver Identification In Taxis And Luxury Hire Cars**

- DIER proposes to develop a standard form of driver photo identification for taxis and luxury hire cars.

It is considered that this will provide passengers with certainty regarding the appropriate licensing of drivers.

Currently, Tasmania is one of few Australian jurisdictions without a standard requirement for driver photo identification to be on display in luxury hire cars and taxis. The ability to correctly identify a taxi driver is necessary to assist passengers to reclaim lost property, for efficient complaints handling or in the event of a crime being committed in a taxi. A standard form of Government-issued identification is also a clear indicator to the public that a person driving a taxi is appropriately licensed and has undergone necessary background checks to be entrusted with this role. At present, potentially any person can make their own form of identification and hold themselves out to the public as a taxi driver and customers have no means of ensuring that this is legitimate.

### **3. Reduce the administrative burden on WAT operators and Government**

#### **(a) Change Process for Issue of New WAT Licences**

Currently, there is no means in the Act by which DIER can automatically issue further WAT licences (beyond 2007). Instead, it is necessary to first demonstrate that the WAT response times are not equivalent to standard taxis. This is a major undertaking.

DIER proposes to:

- remove the requirement to call for Expressions of Interest; and
- remove the requirement to conduct a ballot.

These are time-consuming and expensive processes for both applicants and the Commission.

Instead, DIER proposes that WAT licences should be made available on-demand in all taxi areas. This is consistent with the current situation for issue of WAT licences in non-metropolitan taxi areas.

Making WAT licences available on-demand will also remove scarcity value and prevent licences accruing value, which would ultimately impact negatively on operating costs and service quality.

## **(b) Remove the Need To Renew WAT Licences After 10 Years**

- It is proposed that WAT licences have an unlimited life, rather than 10 years as currently specified.

Renewal of WAT licences after the initial 10 years is likely to be a significant burden for licence holders. Potentially, the need for a large number of WAT operators to renew their licences at the same time may lead to continuity of service issues if all applications cannot be processed smoothly.

It should be noted that this proposal is contingent upon also making changes to the process for issue of WAT licences above. Unless licences are made readily available on demand, the removal of the 10-year licence life is far more likely to allow licences to accrue a commercial value.

In conjunction with this reform, DIER proposes to introduce more stringent reporting requirements for WAT operators to ensure that they are according appropriate importance to the carriage of wheelchair-reliant passengers.

## **OTHER BENEFITS**

### **Regulations**

The existing Taxi Industry Regulations 1996 were due to expire on 31 December 2006 as provided for in the Subordinate Legislation Act. A one-year extension has been obtained.

New regulations must be in place for 1 January 2008.

### **Commitment to the NCC**

The National Competition Council assessed the 2003 amendments to the Taxi and Luxury Hire Car Industries Act for compliance with National Competition Policy in 2004. The NCC found the amendments to be broadly compliant but required regular reviews of the operation of the legislation to ensure the outcomes are being achieved and to initiate further reform if the demand/supply balance has not improved. The Council indicated that reviews should be conducted every two to three years.

- In the 2004 assessment of Tasmania's compliance, the NCC expressed particular reservations about the effective reserve price for annual taxi licence



tenders and the possibility of this limiting the take up of new licences. DIER agrees with the concern. Only 14 taxi licences have been issued in the past three years despite offering one taxi licence in each of the twenty non-metropolitan taxi areas each year for three years. Abolition of the effective reserve price for assessed market value (AMV) is proposed.

- The NCC also had concerns regarding the issue of additional licences (of any kind) based on a determination by officials of taxi response times. The current legislation provided for the issue of a fixed number of WAT licences in metropolitan areas for the first three years only. That period has now closed. Additional licences can only be issued in these areas if response times for WATs are not equivalent to those for standard taxis. It is proposed to provide for on-demand issue of WAT licences in all areas. This is consistent with the current arrangements for issue of WAT licences in non-metropolitan areas.

### **DIER's Commitment to Review a Range of Issues**

During the 1999 National Competition Policy review of the taxi legislation, a number of issues were identified which were beyond the scope of that review. A commitment was given to industry to undertake another review covering these issues.

- **An industry code of conduct**

DIER has concluded that this is a matter for industry. The operator accreditation scheme satisfies DIER's regulatory requirements. Further, DIER considers it unnecessary for it to assume responsibility for matters such as driver presentation and attitude. These are matters that businesses will wish to address individually as part of differentiating their services in the marketplace.

- **Driver pay and conditions**

DIER has concluded this is a matter for negotiation between the parties. Industry, however, strongly campaigned for removal of worker's compensation cover for drivers. DIER has resolved that this cover should remain in place, as it is the only compulsory employment benefit provided to taxi drivers.

- **Whether there has been effective price and service competition in the provision of taxi services**

DIER has found that there has been no price competition. Service competition is limited. It is therefore appropriate to review the licensing system.

- **The role of radio rooms in relation to the adequate promotion of competition for taxi services within areas and the capacity to respond to and adopt innovative practices and new technologies**

DIER has concluded that it is not necessary for radio rooms to be regulated or accredited. Further, it should not be compulsory for taxi operators to be members of radio room networks and, as is currently the case, taxi operators should be permitted to work entirely independently of the network system. Contrary to some views expressed by industry and radio room operators, DIER considers that membership of radio rooms does not necessarily guarantee improved safety.

DIER proposes to introduce information-gathering powers regarding operational issues such as driver shift length. We also propose to have information gathering powers on response times of standard taxis and WATs. This will enable an informed response should there be a complaint regarding response times against the Transport Standards under the Disability Discrimination Act (DDA).

- **Feasibility of amalgamating adjoining taxi areas with similar capped values**

DIER has found this to be unnecessary. However, DIER proposes to extend the requirement for security cameras to include the West Tamar and Perth taxi areas, as they have the ability to work in Launceston and so face similar risks of criminal actions as do taxis licensed in the Launceston area. It is proposed that they should be able to charge the higher tariff to compensate (1.24% higher than the ordinary tariff).

- **Alternative fare setting mechanisms, including the merits of fares being determined by an independent government body and the role of the industry in the fare setting process**

DIER proposes that Government Prices Oversight Commission or another independent body undertake the development of a model for fare setting and a method of indexing fares annually. The independent body would review the model every five years, with submissions being called from any interested parties.

- **Interaction between the taxi and luxury hire car industries**

The overlap of the two industries has been found to be a point of contention and investigation of allegations imposes a burden on operators to provide substantiating evidence. Potentially there is also risk of confusion and subsequent disadvantage for passengers, in addition to safety concerns arising from the fact that LHCs are not required to utilise in-car security cameras.

DIER proposes to improve the distinction between the industries by:

- prohibiting the use of taximeters in LHCs, on the grounds that customers may mistakenly believe they are being charged a government regulated fare; and
- introducing a logbook record-keeping requirement for LHC bookings.

DIER has also proposed some changes to the way eligible LHC vehicles will be identified. A prescriptive list of specific vehicle types will no longer be included in the Act on the grounds that a list of suitable vehicles quickly becomes out of date, requiring operators to write to the Commission to determine whether a particular vehicle is eligible for use as a LHC. This places an unnecessary burden on operators and may hamper timely decision-making when attempting to negotiate a vehicle purchase.

Instead DIER proposes to adopt the following generic criteria:

- minimum wheelbase (2800mm); and

- recommended retail price must be at least the luxury car tax threshold specified by ATO for Group 1 vehicles and for Group 2 vehicles it must be at least 2.5 times the luxury car tax threshold.

It is proposed that these vehicle requirements will be phased in. New LHC licences issued after these changes are introduced will be subject to the requirements immediately, while existing licence holders will be required to make any necessary changes within a one-year transition period.

DIER does not propose to change the maximum operating age for Group 1 vehicles or alter the maximum operating age (7 Years). However, a maximum entry age for Group 2 vehicles of 5 years will be introduced.

DIER proposes to abolish Group 3 (Rolls Royce and Bentley) which has unlimited life. These will now be merged with the Group 2 vehicles and have a maximum life of 15 years. In addition, DIER proposes to remove the provision allowing older LHCs to continue operating outside metro areas. The maximum age limit for vehicles should be consistent across Tasmania.

## **CONSULTATION**

Feedback from the community is being sought during the consultation phase. Comments may be provided to:

Taxi Review Project  
GPO Box 936  
HOBART TAS 7001

Or email to:

[taxi.review@dier.tas.gov.au](mailto:taxi.review@dier.tas.gov.au)

If you would like a copy of the complete discussion paper setting out all the draft policy proposals, it is available online at:

[www.transport.tas.gov.au/miscellaneous/taxi\\_review.html](http://www.transport.tas.gov.au/miscellaneous/taxi_review.html)

Or by telephoning 6233 2865

The period for comments closes on 30 March 2007.