

Project Officer,
ACT Taxi Industry Innovations Reforms,
ACT Government,
GPO Box 158,
CANBERRA ACT 2601

INNOVATION WORKING GROUP STAKEHOLDER FORUM – CONSULTATION

TAXI INDUSTRY INNOVATION REFORM

Dear Sir,

Thank you for inviting the views of members of our Association and the opportunity to partake in the Stakeholder forum on the regulation reforms contained in the legislative framework supporting the government's Taxi Industry Innovation reforms. As owners of 217 perpetual taxi licences we represent 60% of the ACT taxi industry and therefore a substantial financial investment (\$54.25 million) in the future of the industry. As our licences are for an unlimited term we are vitally concerned with the long term viability of the industry and the evolution of reforms now being implemented.

In the limited time we had to prepare a submission the views expressed in this submission are those of a few who submitted their views in writing to the Association. Other opinions from members were conveyed in conversations with committee members. We believe the views expressed are a good representation of those held by taxi plate owners. However, as all subjects of the reform have not in our opinion been addressed, in the limited time we had available, it is intended to lodge a supplementary submission on those topics in the next few weeks.

PART 4.2 TAXI LICENCES - (ISSUANCE OF)

The owners of perpetual taxi licences are most concerned about new procedures relating to the introduction of a continual application and granting process of licences to be known as a "Waiting List" process. The objective, we are told, is to improve the means by which licences are obtained in order to improve overall entry of taxi operators and casual drivers to the industry. Thus the periodic release of plates is to be replaced by a continual process of releasing plates. Presumably the number of applicants approved to go on the waiting list will determine the number of plates to be issued. There will be no market assessments made against normal indicators such as public demand and whether there is a shortfall or oversupply of taxis during peak times of demand.

Perpetual plate owners are concerned with this approach as the number of approved applicants to whom plates are issued will determine the number of perpetual plate leases that may be cancelled to take up the cheaper government lease option. It may surely see plates being returned just as quickly as they are issued which won't lend itself to the industry's stability.

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It makes no sense at all to issue 10 plates at \$10,000 or \$5,000 only to see the leases of other 10 plates broken having those plates then off the road and out of service. We would wish for there to be a continuous line of communication with the Association via the primary Transport Booking Service (TBS) of the number of plates to be issued and their likely take up dates. This may help to ensure a minimum abandonment of perpetual plate leases and therefore a maximum number of taxis in operation to meet public demand. For these reasons amendments listed below have been recommended.

Thus we would recommend that applicants for taxi licences (other than Independent Licences) be required to nominate their Transport Booking Service at the time of making application.

SUGGESTED AMENDMENTS TO THE DRAFT LEGISLATION – PART 4.2 - TAXI LICENCES

Add in 85 (2) (c) “and if not an independent licence nominate the TBS intended”;

Add in 86 (4) and (d) “inform the applicant’s nominated TBS of the decision”.

Add in 87 (1) (b) (iii) “the name of the nominated TBS”

Add in 92 (2) the road transport authority must, in writing tell the pre-approval holder “**and the nominated TBS**” that...

Add in 92 C (1) (b) tell the applicant **and his nominated TBS** about the decision on the application;

Add in 92 F (1) (b) (ii) the kind of licence **and if not an independent licence the name of the nominated TBS**;

Until the bedding in of these new procedures it is our request **that there be no plates issued during a transitional period of say the entire 2016/17 financial year.** This would follow the decision made by the NSW government on 4 April to ameliorate the sudden impact on operators that the arrival of innovation has created. **(See Media Release attached.)** We believe that this would allow for more certainty to be generated in both current operators and lessees and stability to ensure a minimum loss of confidence in an industry at present in turmoil.

PUBLIC SAFETY CONCERNS

Taxi owners believe that deregulation results in drops in standards of service and safety. Regulation meant that there were standards set for both drivers and vehicles to ensure the public travelled safely and were provided with a transport service of high standards. Part deregulation proposed in the innovation Reforms has and will result in drops in both standards of service and safety. Nevertheless the tightening of some eligibility requirements could serve to ensure that some deliberation has been given in considering public safety.

Within the eligibility requirements of applicants for taxi licences we believe that in the interest of public safety there is no place behind a steering wheel of a taxi for a “temporary resident” to Australia. Temporary residents are mainly visitors and students – most young and inexperienced drivers. Most with no Australian driving experience at all. Most have other priorities while here – students their studies and visitors certainly not to work but visit. For those reasons suggested amendments are listed below. It certainly isn’t safe to have a sleep deprived student studying for exams driving taxis after college/university attendance. The ACT should deter such persons being involved in providing public passenger transportation. ..3

Visitors and temporary residents to Australia are not required to undertake health and character checks prior to their travelling to Australia. They can have criminal histories and contagious diseases both of which may not be picked up after arrival and screening in Australia. At any given time there are over 100,000 illegally overstayed temporary residents in Australia.

Territory and State government legislations must reflect and embrace federal legislature in such matters as Immigration and entry control policies, as well as Australian taxation laws.

Applicants to operate a licence should have long term tenure of residence to avoid the premature handing back or cancellation of the licence. With such applicants one could be somewhat more assured that drivers with experience of Australian driving conditions and practices would be more competent in the industry.

As either Australian Citizens or Australian residents applicants for both taxi and rideshare licences should also **be required when applying to produce an ABN**. The ATO would no doubt wish all states to stipulate as much as being an eligibility requirement particularly as recent statements made by them indicate their desire to address such issues arising from innovation reforms. There is no reason why the ACT Government should not be leading the way with this initiative. For this reason the amendments made below have been suggested.

SUGGESTED AMENDMENTS TO THE DRAFT LEGISLATION – PART 4.2 - TAXI LICENCES

Delete 85 (C) Remove *Temporary resident* etc. ... and insert instead **“a holder of an ABN”**

Delete 86 (2) (a) (iii) Remove *Temporary resident* etc....and insert instead **“a holder of an ABN”**

Delete 92 B (2) (a) (iii) Remove *temporary resident* etc....and insert instead **“a holder of an ABN”**

RIDESHARES

Like taxi licences we would wish to see no reference to temporary residents in the eligibility requirements for the same reasons outlined above. Furthermore the requirement that applicants for a “rideshare” licence to operate should also be required to produce an ABN.

Add in 60 B whether the person is – (A) An Australian Citizen; or (B) a permanent resident; (C) a suitable person **and the holder of an ABN** and (D) has demonstrated etc. etc.

Add in 60 D (C) is a holder of an ABN

Take out any other reference to Temporary resident inclusion and add in “a holder of an ABN”

LEASE FEES

The “On demand Transport Model” scenarios adopted by government in which licenced ridesharing is introduced , taxi plates lease costs are reduced to \$10,000 pa, network costs fall and taxi fares reduced by 5 per cent is meant to make the service more competitive.

It was claimed in the modelling that benefits to consumers of \$6.6 million per year after 5 years and \$7.5 million per year after 10 years would result. It was estimated in this that about one half of the gains to consumers would result from the introduction of ridesharing itself, the remainder from reduced cost to taxi operators and reducing fares in competing with ridesharing operatives.

In determining to set lease fees it was claimed from the models that measurements in total surplus the base policy package would increase a total surplus of \$3.5 million per year after 5 years and \$4.5 million per year after 10 years.

One has to question the results of these models particularly when \$54.25 million private investment has been made by 217 individuals in purchasing perpetual plates over the years. In addition to that investment owners of perpetual plates incurred additional ongoing expenses in the periodic updating of communication systems at considerable personal expense. With the ACT government’s entry into the industry as a major player in 2007 – it was then that the government decided to lease plates at \$20,000 pa thus price fixing of lease fees in the process – revenue raised was then realised.

There are 358 taxi licences in total in the ACT. Of these there are 217 perpetual plate licences, and 141 government leased plates. The plates leased by the government realised \$2.82 million pa for government revenue. There are some 49 of those 141 that have been handed back as the operators could not make them work. That represents a loss of \$980,000 to government revenue to have those plates sitting on the shelf.

As if that’s not bad enough the decision last October to drop government lease fees immediately from \$20,000 to \$10,000 meant that 92 licences in operation at the time gathering in \$1.84 million pa would instead be raising half that (\$920,000 pa) at the \$10,000 pa lease fee rate now applied. From this coming November that amount of revenue lost again is doubled when lease fees fall to \$5,000 pa. Then the government’s 92 plates on the road will raise a bare \$460,000 pa. If we can assume that the 49 plates on the shelf will get up and begin operation at \$5,000 pa then 141 plates will derive a maximum of \$705,000 compared to \$2.82 million that 141 plates would have raised for revenue if all were up and running. That represents an annual loss of revenue of \$2.07 million pa or 10.35 million over 5 years or 20.7 million over 10 years.

The system proposed for the ongoing release of plates is flawed in that experience tells us that if the number can’t be sustained by market demand, then the number of new plates will equal the number of operational plates that go off the road as then being economically unviable.

To have the lease fees set in concrete with no provision for increase represents ongoing losses in government revenue and value in plates. An operator who gets a plate easily for little outlay will not appreciate its value and will be quick to hand it back if the going gets tough and, predictably it will. Standards drop and at the end of the day it is members of the ACT travelling public who have to tolerate the outcome.

If there is to be a place in the industry for perpetual plate licences then taxi owners would want government lease fees adjusted annually in keeping with CPI adjustments. Failure to do so will render perpetual plates worthless and no value to owners - most of whom rely on their investment for their superannuation in retirement.

TERMS OF STANDARD GOVERNMENT LICENCES

It is noted that the intention is to issue taxi licences for 12 months, renewable every 12 months. We believe that this approach is flawed in that it facilitates the exit of persons from the industry when surely the aim (having facilitated their entry) should be to retain them in the industry. Taxi owners believe the norm of three years should be applied to the lessees of standard government plates. This would ensure a degree of stability in the industry and comply with consistent public demands for transport. A three year leasing norm accompanied by a requirement to lodge a bond of say \$500 upon being approved a licence to operate a standard licence would ensure some application and determination on the part of the operator in seeing out the full term of their leasing agreement.

SUGGESTED AMENDMENTS TO THE DRAFT LEGISLATION – PART 4.2 - TAXI LICENCES

Add in 92 B (3) the Road Transport Authority, may require an applicant to give the authority further stated information **or a bond of no more than \$500 as a security against any breach of lease conditions** or a stated document that the authority reasonably needs to decide the application

Add in 92 F (2) A taxi licence may also include anything else the road transport authority considers appropriate **including a bond of no more than \$500 as a security against any breach of lease conditions**

INNOVATION REFORMS

It must be said that everyone has become over exuberant in the arrival of “new technologies”. It seems in the process that it’s like the waving of a magic wand to have all ACT residents enjoy an oversupply of public transport vehicles able to pick them up in seconds and transport them at half the cost to their destination in safety and in high class standards.

It must be said that the taxi service in Canberra has been doing just that and striving all the time to become even better. They have had the “new technologies” for some time. They have quick pick up times and they transport members of the public in safety and to high standards to their destinations.

In all the excitement of “innovation” deregulation has been achieved by a government, something that we taxi owners have always resisted for deregulation means, and results in, poorer standards of safety and service. Be that as it may the fact is that Canberra is only so big to take so many vehicles providing public passenger transport. Market forces will prevail and determine the success of these Innovation Reforms. With “X” number of Rideshare and other standard taxi licenses thrust out into suburbia, time will tell how long they will be viable for in the long term. There has to be strong demand to ensure sufficient work for each and every one to pay the bills and survive. At the end of the day the hourly rate of income will see “Y” number of licenses handed back.

In the process, the “Innovation” will see the travelling public ripped off in having little option but to wait for and take a lesser more unsatisfactory service than they once had.

To return to where this submission began. We taxi owners of 217 perpetual plates have invested a lot of time and money, care and concern in an industry that we believe will now result in a lesser service of public passenger transport. To have undertaken these reforms showing scant regard to our investments, possible losses of income and devaluation of our property smacks at total disinterest in us. The likely adverse effects that these so called “reforms” will have on us, our families and our friends has been disregarded. It can only be hoped that more sympathetic consideration will be given our plight in the process of amending the draft legislations now before you.

It is most appreciated that we are now being regarded at least as “stakeholders” in these reforms. It is our only hope that some attention might now be given us in the better understanding of the position with 60 per cent of the industry that just happens to be privately owned by almost 200 individual taxi plate owners.

P. M. Button
Chairman
ACT Taxi Plate Owners Association (ACTTPOA)

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