



Transport for NSW

# Point to Point Transport Independent Review 2020

Report to the Minister for Transport and Roads and the  
Minister for Regional Transport and Roads





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# Foreword

Point to point transport is vital for connecting members of the NSW community – for their journeys to work and education, for visiting friends and family, engaging in social and recreational activities, getting to the doctor or other health or community care – and helping visitors to our state to get around.

Point to point transport can operate as an adjunct to public transport, or an alternative where public transport is not available or suitable to customers' circumstances.

The NSW Government's principal interest is to regulate the safety of these services, but in shaping this regulation, government must be mindful of the need to support and not impede the development of innovative services to suit the varied needs of a diverse customer base in metropolitan and in regional locations. Government regulation should be designed to provide for this diversity, and especially to provide room for the application of technology to benefit customers – both to improve service quality as well as safety outcomes.

The past several years have been a tumultuous time for point to point transport, not just here in NSW, but throughout Australia and globally. The emergence of ride-sourcing, ride-pooling and ride-sharing platforms – as part of the new sharing economy – has challenged the traditional model of the taxi industry worldwide.

When rideshare entered NSW it did not readily fit within existing regulatory frameworks, but while industry and regulators grappled with how to respond, customers 'voted with their feet' by booking rides with the new providers.

It is now five years since the NSW Government legalised rideshare, and four years since the passage of the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*, establishing a safety based framework which sought to minimise government interference in the way point to point transport services are delivered. Customers can now safely choose from a variety of service providers. The overall market for point to point transport has grown.

Notwithstanding the consumer benefits, the changes have been challenging for traditional industry participants. This review has heard from many industry incumbents about the difficulties they face. The conclusion of this review is that the industry, as well as its customers, are best served by government allowing participants to adjust their service offerings, not interfering in day-to-day operations.

The review makes a range of recommendations, including freeing the taxi industry to better compete, and changes to level the playing field across the sector. It also recommends government involvement in local transport planning to ensure that point to point transport services continue to be available in regional and remote areas at risk of losing services, in particular wheelchair accessible services. It has also recognised the impact of both the changes to date and the proposed further deregulation on industry incumbents by proposing additional assistance.

The review response is framed by an understanding of the point to point transport industry up to the time of the impacts of the coronavirus pandemic. The review acknowledges the operating environment for transport services may be very different in a post-pandemic world.

Many organisations and individuals, from within industry, business and government, have participated in this review during a difficult time for everyone in NSW due to the impact of the coronavirus pandemic; the generous contribution of their time and considered views during the consultation process is acknowledged and much appreciated.

The review was ably supported by a review team within Transport for NSW (TfNSW). The enthusiasm and diligence of this team has been remarkable and they deserve great thanks.

Thanks are also extended to the Ministers and the NSW Government for the opportunity to lead this review as the Independent Reviewer and in doing so to contribute to the ongoing success of the point to point transport sector in this state.

**Ms Sue Baker-Finch, 13 July 2020**  
**Independent Reviewer**

# 1 Executive summary

Since the 1840s, when horse-drawn cabs appeared on Sydney streets, taxi-like services have been regulated through the grant of a limited supply of licences and control of fares and safety. In time, regulation expanded to cover limousines and other vehicles for hire. The level of intervention has varied and taken different forms, but the focus has consistently been threefold: safety, supply and fares.

In April 1995, all Australian jurisdictions, including NSW, signed the Competition Principles Agreement (CPA), agreeing that legislation (including taxi and hire car regulation) should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs, and
- the objectives of the legislation can only be achieved by restricting competition.

Subsequent reviews have consistently found that ensuring safety of services is necessary and appropriate in the public interest, but other aspects of taxi industry regulation, in particular caps on supply, have cost impacts that are not necessarily outweighed by the benefits to the community, and that greater benefits would accrue from less regulation.<sup>1</sup>

In recent years, new service models entered the point to point transport market, expanding choice and opportunity for customers. Their operating costs are lower, and this presents a significant challenge to the traditional taxi model.

In 2017, following the legalisation of ridesharing in most Australian jurisdictions, the Productivity Commission found that deregulation of taxis was ‘unfinished business’, observing:

*‘Previous reviews have identified the benefits of deregulation, further reviews are not needed.’*  
([Productivity Commission 2017, p 225](#))<sup>2</sup>

This review has found that deregulation of the point to point transport industry in NSW remains ‘unfinished business’. The 2015 Point to Point Transport Taskforce (the Taskforce) Report and the government response went a good part of the way to open the market by ensuring that booked services were legally available to the public with minimal appropriate regulation to ensure safety. NSW consumers can choose the point to point transport service provider appropriate to their needs. Surveys indicate customer satisfaction is higher than ever.

On the other hand, caps on supply of taxi licences and maximum fares were maintained, and the government decided not to change the existing taxi licencing regime.

The post-2015 reforms were well-intentioned in seeking to preserve the position of taxi industry incumbents and to ensure a thriving rank and hail taxi service, especially in Sydney. However they have left the taxi industry in an increasingly difficult position. The higher costs inherent in the tradeable and leasable taxi licence model, including the common separation of the licence owner from the business that operates the licence, most notably in Sydney, coupled with the cap on supply, mean that taxis struggle to compete with a largely deregulated and uncapped booked sector.

Following consultations, consideration of reform elsewhere, and analysis of the available industry and market data, including evidence of significant differences in how point to point transport services operate in Sydney and outside Sydney, this review concludes that further piecemeal assistance or adjustment is irrelevant in the face of the need to finish the task of deregulation.

There is evidence of increased competition in the point to point transport sector, bringing with it an increased diversity of transport options with a range of prices and service offerings. Customers are ‘voting with their feet’, choosing the new rideshare and app booked service models in increasing numbers. This level of enthusiasm seems to have been underestimated when the 2015 reforms were developed.



The overall market has grown, particularly in the city, but taxi supply is controlled so only unlimited rideshare services can respond quickly to meet increased demand. On the other hand, when demand falls (as in the coronavirus pandemic), it is easier and less costly for rideshare to scale down its operation in response.

Meanwhile, it seems the Taskforce may have overestimated the value of exclusive access to the rank and hail market. Similarly, the Taskforce's concerns about the need for the government to manage supply to ensure the viability of individual operators in the rank and hail market may have had adverse outcomes for industry viability overall.

In larger centres, improvements in instant bookings mean the ability to hail a taxi is less important to customers than previously. In the regions, where local taxi services often play an important role in the community, booked services have always comprised the majority of taxi journeys; rank and hail barely exists in some areas.

While obtaining a taxi at a rank remains a selling point in many places, booked services are hampered by the lack of locations where they may pick up and drop off passengers. From a safety perspective, this must be addressed.

Licence values have declined significantly. Some regional owners who have served their communities for many years are now unable to find a buyer, but are unwilling to leave the industry in the lingering hope of a 'buy back' of licences. Sydney values have dropped to about \$100,000 and seem likely to continue to fall as competition increases and taxi market share declines.

Some in the sector have responded to the opportunities made possible by the 2015 reforms and adjusted their service offering. Many have not. Instead, they have called for reinforcement of their exclusive rights or increased regulation of their competitors. It is noteworthy that many of these voices are now acknowledging the deadweight burden of ordinary taxi licences and are looking for a way out for those who want to leave the industry, enabling those who want to stay to compete more effectively on price, efficiency and availability, and opening the industry to new entrants.

Taxi licence supply should be deregulated across the state as soon as possible, at any rate in advance of the next licence determination due at the end of March 2021. Ordinary licences should be abolished and taxi licences should be available on demand for an application fee. These licences should be permitted to operate anywhere in the state.

There should be some financial assistance to offset the financial loss arising from the deregulation of supply for existing licence owners, and to assist active participants in considering whether they wish to remain in the industry. This is particularly important in regional areas where licence owners typically operate their licence.

Given the increase in competition, fares across the state should be deregulated at the same time.

The Independent Pricing and Regulatory Tribunal (IPART) should be tasked with providing an indicative reasonable taxi fare schedule for voluntary use for rank and hail services and to help consumers understand fare relativities. New requirements to advertise and publish fare structures, including their variation from the indicative schedule, both in the vehicle and in the public domain should be introduced as a sensible protection for customers. Maximum regulated fares should continue to apply to the Taxi Transport Subsidy Scheme (TTSS) and at Sydney Airport.

Deregulation and the abolition of ordinary licences is likely to lead to some owners and/or operators exiting the industry and not being replaced. This is more likely to be a problem in country areas. However, given that rank and hail, which is the exclusive domain of licensed taxis, is relatively insignificant in the country, it is likely that non-taxi models of service will emerge if there is unmet demand. What may be required is TfNSW coordination of services and local planning to address service gaps. Other transport providers should be made aware of the opportunities. The TTSS should immediately be made available to other point to point service providers in regional areas without taxis.

Other at risk services are those that cater particularly for the transport disadvantaged. Current subsidy and incentive schemes should be made provider neutral.

Recognising that the attractiveness of current incentives for wheelchair accessible taxis (WATs) will be diminished when licences are available at minimal cost, new incentives for wheelchair accessible vehicles (WAV) are proposed.

Steps should be taken to provide safe kerbside access for all point to point vehicles to pick up and drop off passengers. Only taxis should continue to have access to bus and transit lanes, to assist their efficient circulation to cater for the rank and hail market in high demand locations. However, noting that the purpose of these lanes is the efficient movement of high capacity vehicles, the impact of increasing taxi numbers on these lanes needs to be closely monitored.

The matter of inconsistencies in compulsory third party insurance (CTP insurance) is of considerable concern throughout the point to point transport industry, and the State Insurance and Regulatory Authority (SIRA) is urged to finalise the changes to the framework for CTP. Likewise, service providers rightly complained about the duplication of effort and cost of operating under more than one safety regulatory regime. Community transport operators in particular noted the cost to many of their volunteer drivers of obtaining repeated medical specialist reports to meet driver requirements across regulatory regimes. These matters warrant attention by the Point to Point Transport Commissioner and TfNSW.

There is opportunity for development of innovative and niche services to meet transport gaps and emerging needs. Efforts to promote and undertake education on point to point transport authorisation should encourage newer entrants to the sector, especially in regional areas. TfNSW should consult with the Small Business Commissioner and Business NSW (the business chamber movement) to develop and implement a suitable program.

Together, these steps will help to realise the vision of a point to point transport industry with the flexibility to respond to ongoing innovation via technological changes, new service models and scaling of services to deliver better value for customers in changing transport markets. The industry will be in a better position to respond to the needs of local communities whether in large metropolitan centres or small regional towns. There will be minimal costs for new market entrants and, like service providers will operate on a level playing field in terms of where, when and how they operate and deliver their service.



## 2 Summary of recommendations

### 2.1 Further structural adjustments

#### Supply

The review recommends that:

1. Taxi licence supply restrictions be removed and new arrangements introduced to provide for renewable non-transferable taxi licences to be issued on request for an administrative fee, for operation anywhere in NSW.
2. Each taxi licence be aligned with a taxi vehicle (or taxi plate), with such vehicles meeting all the external signage and safety requirements for the provision of rank and hail services, including the requirements to be identified as a taxi and to ensure necessary safety measures in the context of the anonymity of rank and hail services.
3. Area restrictions on regional taxi licences be removed immediately to permit them to operate rank and hail services anywhere in NSW outside metropolitan Sydney. Remove remaining area restrictions when licence supply restrictions are removed.

#### Fares

The review recommends that:

4. Maximum fare regulation for rank and hail taxi services be removed at the same time as taxi licence supply restrictions are removed.
5. Ahead of this, IPART be asked to recommend an indicative fare schedule for country and for Sydney taxis for voluntary use by taxi operators for rank and hail services and for ease of communicating to customers.
6. Taxi service providers be required to
  - develop a fare schedule,
  - provide the schedule (and any subsequent revisions) to the Point to Point Transport Commissioner for publishing on the Commissioner's website, and
  - advertise the fare schedules and, inside the vehicle, display the fare schedule being applied for rank or hail services and how it compares with the IPART determined indicative fares.
7. The indicative fare schedule be applied as the regulated maximum for rank and hail services from the Sydney Airport (and Western Sydney Airport when operational) and for all TTSS fares.

#### A level playing field for services for the transport disadvantaged

The review recommends that:

8. To coincide with changes to taxi licence supply and in addition to current incentives and subsidies, that further measures be introduced to ensure the ongoing provision and commercial viability of wheelchair accessible services. Such measures may include:
  - A subsidy to offset the capital costs of modifications and fit-out of a new vehicle for wheelchair access in addition to interest free loans already available,
  - A rebate payable to the WAT vehicle owner/operator to offset some of the operating costs for WAT vehicles, for example, for vehicle registration or insurance,
  - An incentive amount payable to the WAT vehicle owner/operator to offset the additional operating costs for WAT vehicles (compared with conventional vehicles) for each wheelchair trip.

9. As a matter of urgency an accessible electronic payment system for the TTSS should be introduced and, as agreed by the NSW Government in 2015, the scheme be made provider neutral throughout NSW.
10. The TTSS be immediately made available for use with community transport or to other suitably authorised service providers in regional locations without a taxi service, i.e. ahead of the electronic payment system being introduced.
11. The indicative fare schedules recommended by IPART for country and metropolitan Sydney areas (or lower cost arrangements as offered by the provider) be applied as the regulated maximum fare for TTSS regardless of provider.
12. All wheelchair accessible transport incentives and subsidies be extended to all authorised point to point transport providers i.e. provider neutral access for all such providers.

### **Use of bus and transit lanes**

The review recommends that:

13. For the time being, taxis continue to be allowed to use bus and transit lanes to assist their efficient circulation to cater for the rank and hail market in high demand locations.
14. The impact of any increase in taxi numbers on the operation of bus and transit lanes be monitored, noting that their purpose is to provide for the efficient movement of large numbers of people in high capacity vehicles and that in time their use by taxis may no longer be compatible with this.
15. Hire vehicles not be permitted to use bus and transit lanes.

### **Kerbside access**

The review recommends that:

16. State and local governments and industry work together to provide for adequate kerbside and other spaces to support safe and convenient pick-up and drop-off for all point to point transport users.

### **Compulsory third party insurance**

As recommended by the Taskforce in 2015, the review recommends that:

17. SIRA finalise as soon as possible the changes to the framework for establishing CTP insurance cover for point to point vehicles that acknowledges the increasingly flexible use of vehicles for point to point transport services and rewards safer behaviours.

### **Streamlining administration**

The review recommends that:

18. TfNSW and the Point to Point Transport Commissioner:
  - introduce a streamlined approach for driver medical requirements for those who work across more than one of the point to point transport, community transport and bus sectors, and
  - consider how they can better coordinate timing of their audits of service providers.

## 2.2 Further industry assistance

The review recommends that:

19. A program of transition assistance for taxi licence owners be established that:
  - targets those most likely to have experienced substantial financial loss due to the date they entered the market while also placing onus on licence purchasers for risks associated with their investment decisions,
  - recognises that country licence owners mostly operate the licence themselves, and
  - is structured and timed to consider impact on social security pensions and benefits and income tax liabilities for recipients.
20. As soon as possible, a program of financial advisory and other counselling assistance for industry incumbents be established to support them through a 24 month transition period following the further industry reforms recommended in this review.

## 2.3 Sustaining point to point services in regional locations

The review recommends that:

21. In regional areas where point to point transport services are at risk or cease operation, TfNSW and the Point to Point Transport Commissioner work with key stakeholders to develop a local point to point transport plan to address any unmet transport need. Where the service is at risk any such plan should firstly identify what could, if anything, make the service viable. It should also strive for mutually beneficial partnerships between industry participants to ensure sustainable transport options for the local community.
22. In such locations, additional funds be provided through the TfNSW Community Transport Program, with the funds awarded to providers through an open contestable process.
23. Community transport operators be encouraged to become authorised as booking service providers to enable more customer choice and provider options and to secure services, especially the availability of wheelchair accessible transport services and particularly in regional NSW.
24. TfNSW consult with the Small Business Commissioner and Business NSW (the business chamber movement) to develop and implement a program to promote and undertake education on the point to point transport authorisation requirements to encourage new entrants and to foster innovative service delivery, especially in regional locations.

## 3 Introduction

### 3.1 Background

In light of technology innovations and new service models in the point to point transport market, in July 2015, the NSW Government established the Point to Point Transport Taskforce to consider whether there should be any change to the regulatory framework in NSW, with the aim of maximising customer outcomes and economic productivity.

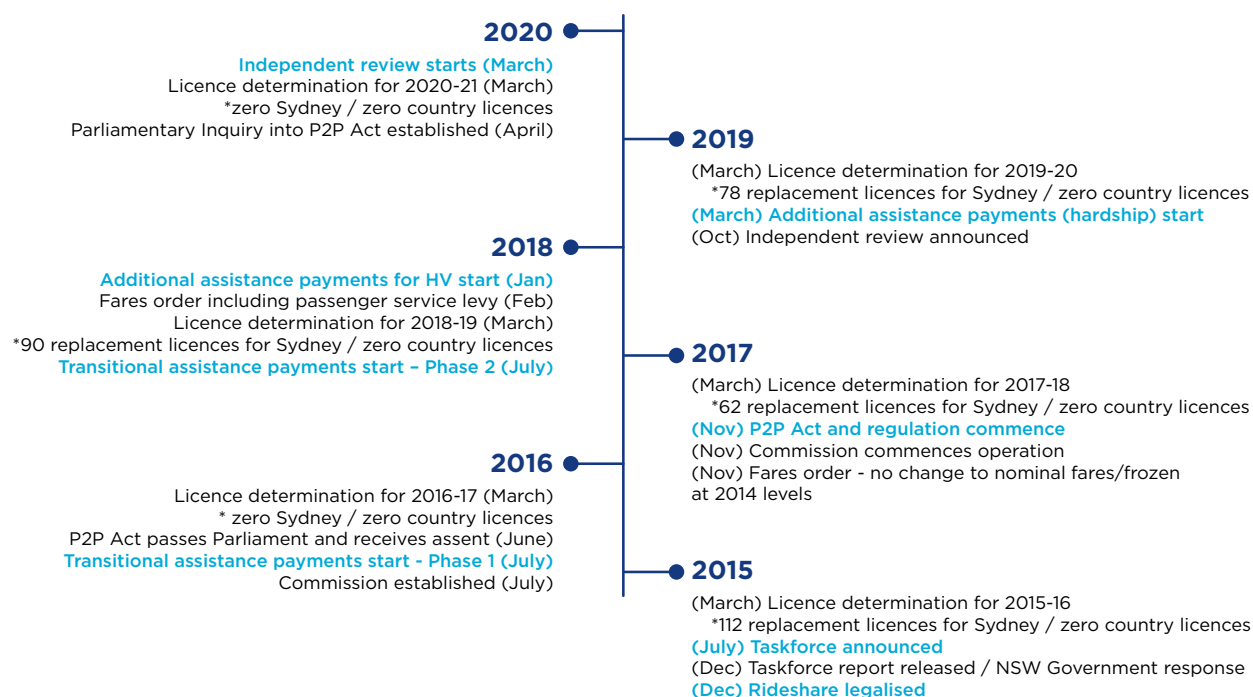
The NSW Government responded to the Taskforce report in December 2015, accepting 56 of the 57 recommendations and started a reform program to build a 'light-touch' regulatory approach that would achieve its aims.

The objectives of the reforms were to:

- ensure safety standards are maintained
- allow for a less rigid industry structure and greater flexibility in meeting customer demand through service innovation
- improve customer choice
- create a level playing field for like services
- improve and modernise the industry
- promote industry sustainability.

The subsequent reform process for the point to point transport industry has been underway for a number of years as illustrated in Figure 1.

Figure 1. Point to point transport – reform timeline



Source: TfNSW

Rideshare services were legalised and the booked services sector of the market was largely deregulated; booking service providers must be authorised, and booked services, including those provided in taxis, can operate anywhere in the state. They do not require a licence (in the traditional style) to operate and, apart from needing to provide an estimate of the fare before a trip begins, their fares are deregulated.

The reforms involved a reduction in red tape and a new regulatory framework that makes industry responsible for the safety of the services they provide, bringing the industry into line with the risk-based approach to shared responsibility for work health and safety generally and across transport – to heavy vehicles, to rail and to maritime safety.

The one Taskforce recommendation not supported by the government was that existing ordinary taxi licences be converted to transferable annual licences, renewable up to nine times. The rights of licence owners did not change; they retain the right to lease or trade their licences on the open market. Taxis retain the sole rights to undertake rank and hail work, to which maximum fares continue to apply. To provide time to understand the impact of the other changes, the government supported the Taskforce's recommendation that there be no increase in Sydney taxi numbers (except for wheelchair taxis) for four years (from 2016-19).

To encourage the traditional taxi and hire car industry to adapt to the changes, the government established the Industry Adjustment Assistance Package, which included the Transitional Assistance Payment, the Additional Assistance Hire Vehicles Payment Scheme and the Additional Assistance Payment (Hardship) Scheme.

The benefits of the reforms have been significant. The number and diversity of service providers has increased, delivering greater choice and more competitive pricing for customers. More people are using services and more often, and customer satisfaction with all service types (taxis, rideshare and hire cars) has improved. However the taxi industry has raised a number of concerns about the impact of the reforms, particularly on licence owners, as well as the overall future viability of taxis in the changed market.

## 3.2 Review established – Terms of Reference

On 28 October 2019, the Minister for Transport and Roads, The Hon. Andrew Constance MP, announced a follow-up review of the point to point transport industry in the following terms:

'The safety of point to point transport customers, drivers and of the community remain the government's priority. This was why the NSW Government introduced the much strengthened safety provisions now applying to industry participants under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016* and the Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017. The review will not revisit those requirements or the three schemes of the Industry Adjustment Assistance Package.

The review will:

1. Consider whether there is a case for further assistance in view of:
  - a. the objectives and nature of the point to point transport reforms; and
  - b. the Government's announced commitment to assist traditional industry members through those reforms.
2. In the context of the Government's commitment to a 10-year plan for the industry and taking account of the differing circumstances in metropolitan and regional transport markets, examine the impact of the point to point reforms to date and advise if further structural adjustments are needed to ensure the long term viability of the sector and to realise positive customer outcomes.
3. Consider if there are regional locations at risk of losing point to point transport services, and identify:
  - a. appropriate interventions to address local transport needs
  - b. any measures, including any changes to industry structure specific to the regions, that may be needed to support the continued participation of point to point transport service providers in the local transport market, especially for those providing wheelchair accessible services and other services to vulnerable communities
  - c. any further support needed for wheelchair services.'

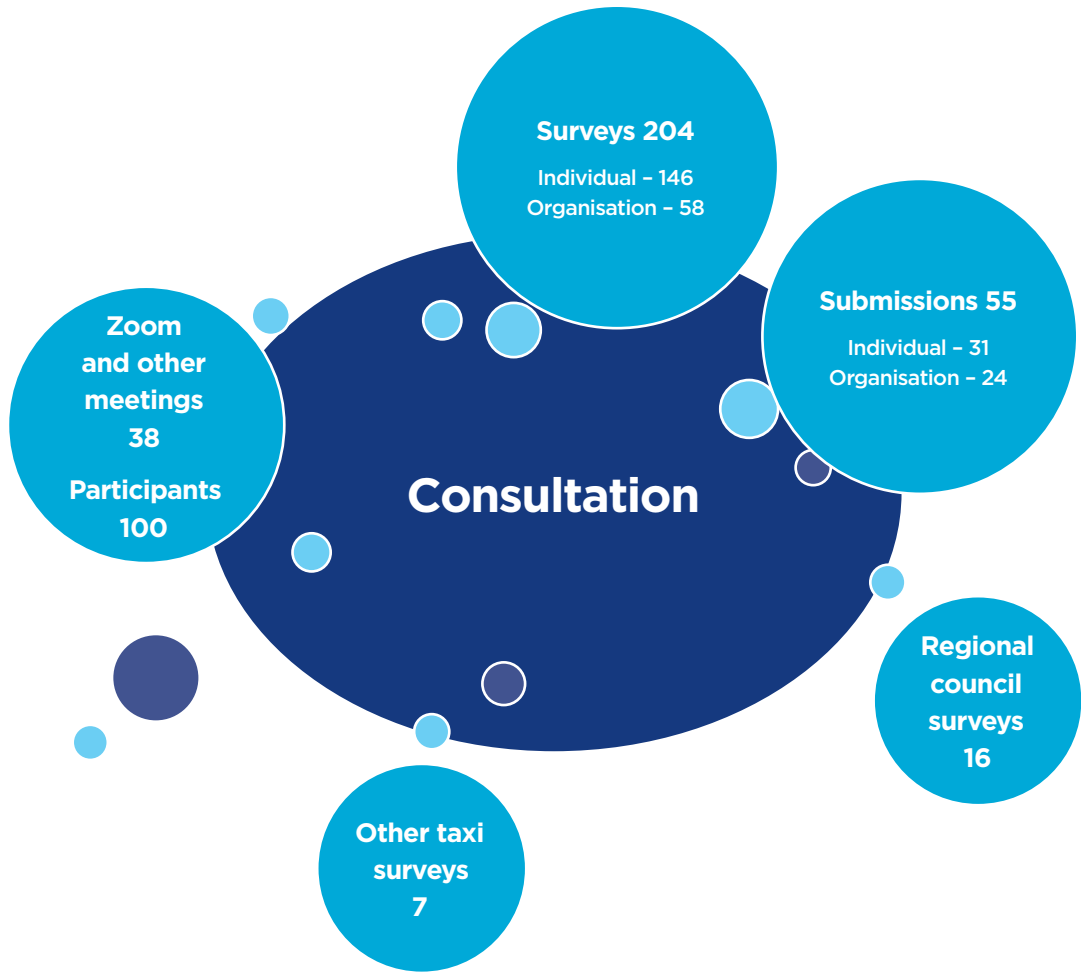
Soon after, on 12 November 2019, the Legislative Council Portfolio Committee No. 6 – Transport and Customer Services accepted a reference to conduct an inquiry into the operation of the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016* (the P2P Act). The terms of reference for that inquiry include the operation of the regulatory system, the system of bailment for some drivers, the implementation of the Industry Adjustment Assistance Package, the value of taxi plates, the role and functions of the Point to Point Transport Commissioner, and any other related matter. See NSW Government (2020).

The review commenced on 11 March 2020, with the appointment of Ms Sue Baker-Finch as the independent reviewer, to lead the inquiry and to report to the Minister for Transport and Roads and the Minister for Regional Transport and Roads.

### 3.3 Consultation and data analysis

As highlighted below, a range of consultation activities, information gathering and data analysis was undertaken to inform this review.

Figure 2. Review consultation outcomes



Source: TfNSW



In summary:

- Virtual consultations were held in April, May and June 2020 with taxi licence owners, Sydney and regional taxi and hire car operators, taxi networks, rideshare providers, community transport service providers, peak industry organisations, disability consumer advocates, business and government representatives in Sydney and regional areas across NSW. Close to 100 participants were involved in these discussions.
- Submissions were invited by asking people to complete a survey on the Point to Point Independent Review consultation page on the TfNSW website, or via the NSW Government Have Your Say website.
- Respondents were also provided with the option of directly responding by email. Submissions opened on 15 April 2020 and closed on 22 May 2020, with 204 completed surveys being received by TfNSW (146 from individuals and 58 from organisations).
- An additional 55 written submissions addressing the terms of reference were also received (31 from individuals and 24 from organisations, including both industry and consumer representative bodies).
- The majority of survey responses from individuals were from taxi industry participants. Few individual responses were received from point to point transport customers.
- Given the importance of understanding regional perspectives as part of the review's terms of reference, particularly where locations may be at risk of losing services, a survey was sent to 26 councils to characterise transport arrangements in smaller regional towns. Sixteen councils completed the survey.
- A survey was also sent to taxi operators in the towns to understand operators' views about their business. Seven taxi operators completed the survey.
- TfNSW and the Point to Point Transport Commissioner provided a range of data on the point to point transport industry and other transport services to inform the review more broadly.
- The information from consultations, the surveys and submissions was the main source for considerations specific to regional areas of NSW as there was limited area specific data available.
- Material was drawn from reports or submissions made to other reviews, where this was publicly available.
- Demographic data has been sourced from the Australian Bureau of Statistics and its analysis is reflected throughout the report.

## 4 Glossary and acronyms

Acronym	Explanation
ABS	Australian Bureau of Statistics
ASP	Authorised Service Provider (see also BSP and TSP)
ASTP	Assisted School Travel Program
ATAC	Accessible Transport Advisory Committee
ATSI	Aboriginal and Torres Strait Islander
BSP	Booking Service Provider (ABSP – Authorised Booking Service Provider)
CPA	Competition Principles Agreement (1995)
CSI	Customer satisfaction index (TfNSW)
CTO	Community Transport Organisation (peak body)
CTOA	Country Taxi Operators Association
CTP	Community Transport Program
CTP insurance	Compulsory third party insurance
DVA	Department of Veterans Affairs
HC plate	Registration plate affixed to licensed hire car – no longer available
IPART	Independent Pricing and Regulatory Tribunal
LGA	Local government area
NDIS	National Disability Insurance Scheme
NSW	New South Wales
PDCN	Physical Disability Council of NSW
P2P Act	Point to Point Transport (Taxis and Hire Vehicles) Act 2016
P2P Regulation 2016	Point to Point Transport (Taxis and Hire Vehicles) (Industry Adjustment) Regulation 2016
P2P Regulation 2017	Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017
PSL	Passenger Service Levy
RMS	Roads and Maritime Services (a former transport agency, now merged into TfNSW)
SEIFA	Socio-Economic Indexes for Areas
T plate	Registration plate affixed to licensed taxi in Sydney
TC plate	Registration plate affixed to licensed taxi outside Sydney
TARP	Transport Access Regional Partnerships Grants Program
Taskforce	Point to Point Transport Taskforce (2015) – chaired by Gary Sturgess, AM and Tom Parry, AM
TDIS	Transport Disability Incentives and Subsidies
TfL	Transport for London
TfNSW	Transport for NSW

Acronym	Explanation
TLC	New York City Taxi and Limousine Commission
TSP	Taxi Service Provider (also ATSP – Authorised Taxi Service Provider)
TTSS	Taxi Transport Subsidy Scheme
WAT	Wheelchair Accessible Taxi
WAV	Wheelchair Accessible Vehicle
WHS	Work health and safety

## 5 Context

### 5.1 What is point to point transport?

Point to point transport provides flexible and convenient options for customers to get from A to B via their preferred route at the time they choose.

Point to point transport is an important adjunct to private transport and regular public transport, providing services to people who find it difficult to access these other means either because they are not available or because they do not suit the customer's individual requirements. A person may not be able to drive or may not own or have access to a car, whether because of age, inclination or economic or other circumstances. Public transport services are less likely to be available or to be of limited frequency in areas of low population density, or may be unsuitable for some passengers. Other people simply prefer the personalised offering of point to point transport services.

Contributors to the review characterised the important role played by point to point transport services in a variety of ways.

In its submission, the Physical Disability Council of NSW observed that:

*'Many individuals with disability have no access to public transport such as trains, bus or light rail due to a lack of accessible services or infrastructure and practical barriers preventing their utilisation. In many parts of NSW, particularly rural and regional areas, accessible transport options available for people with disability are limited to modified private vehicles, community transport services and wheelchair accessible taxis (WAT).'* (p 4)

The Community Transport Organisation said:

*'When facilities are not accessible by public transport, and private transport not in the reach of the traveller, quality of life is diminished. Community transport aims to bridge the gap where independent travel is unavailable.'* (p 2)

The NSW Taxi Council promoted the particular role played by the taxi industry:

*'It provides approximately 40 million passenger trips each year and it meets customer travel needs right across NSW. It functions as a door through door transport service that operates 24 hours a day 7 days a week. The NSW Taxi Industry also provides services at times when other forms of public transport either significantly reduce service levels or cease operations altogether. Taxis are often the only form of public transport for some members of the community, and they provide essential transport services to some of the most disadvantaged people in the state.'* (p 11)

Uber characterised its contribution as follows:

*'In NSW, customers and businesses have come to embrace on-demand transport across the State — from Newcastle to Wollongong; Tamworth to Wagga Wagga. Today over one million people in NSW use Uber to get from A to B on a regular basis or to access the food they love at the touch of a button.'* (p 2)

A customer from the Blue Mountains area who preferred to remain anonymous said:

*'I use taxis for work-related trips where travel by public transport is not available or will involve too long a wait. I also use taxis for personal trips where it is not appropriate to use my own car (e.g. travelling to a social event where alcohol will be available) or where public transport isn't readily available, or available at all (e.g. time of night/day).'*

Point to point transport offers a more individualised service to meet these and other needs. Governments support and regulate this kind of transport to ensure that it provides safe and secure services to customers who need or prefer it.

## Legal framework

In NSW, the P2P Act applies to passenger services provided in vehicles with 12 seats or less, including the driver, where those services are provided for a fare.

The Act defines taxi services and hire vehicle services as two distinct types of passenger services. Taxis are vehicles that stand or ply for hire (also referred to as 'rank and hail'), or that are authorised to stand or ply for hire even if they are also hired in other ways ([P2P Act, s 5](#))<sup>3</sup>. Hire vehicles cannot provide rank and hail services ([P2P Act, s 6](#))<sup>4</sup>.

The Act applies to both the provision of the passenger services meaning the movement of passengers; and the provision of booking services meaning the business of taking bookings for taxis and hire vehicles as well as communicating the bookings to drivers.

Only licenced taxis may offer rank and hail services. Taxis can also offer booked services. Booked services are also offered by a range of other providers, including rideshare, traditional hire cars (like limousines), motorcycles, on-demand transport (for example, for customers to travel between their home and their nearest transport interchange). Increasingly, community transport providers are entering the point to point transport market, becoming authorised as booking service providers to offer transport to fare-paying customers.

The common feature of point to point transport services is that they are available generally to the public and a fare is charged to the passenger; the Act does not apply to courtesy transport (like a courtesy bus transporting clientele to and from a pub or club) or transport provided incidentally to other services (like an aged care or disability services provider organising an outing or medical visit for residents). Additionally, the Act does not apply when a community transport provider provides services under their contract with TfNSW or does not offer its services more broadly for a fare.

All service types meeting the definitions in the P2P Act are part of the point to point transport market and therefore fall within the terms of reference for this review.

## 5.2 Future Transport 2056

As a key element of the NSW transport landscape, any consideration of the point to point transport industry needs to be set within the NSW Government's strategic transport objectives. These are reflected in *Future Transport 2056*, the strategy which sets the 40-year vision, directions and outcomes framework for customer mobility in NSW, and which will guide transport investment over the longer term. The strategy acknowledges the vital role transport plays in the land use, tourism, and economic development of towns and cities, as well as enhancing the social fabric. It involves a shift in focus from individual modes of transport, towards integrated solutions.

The vision is built on six outcomes:

**Customer focused** Customer experiences are seamless, interactive and personalised, supported by technology and data

**Successful places** The liveability, amenity and economic success of communities and places are enhanced by transport

**A strong economy** The transport system powers NSW's future \$1.3 trillion economy and enables economic activity across the state

**Safety and performance** Every customer enjoys safe travel across a high performing, efficient network

**Accessible services** Transport enables everyone to get the most out of life, wherever they live and whatever their age, ability or personal circumstances

**Sustainability** The transport system is economically and environmentally sustainable, affordable for customers and supports emissions reductions.

*Future Transport 2056* identifies that the transport landscape is likely to change more in the next 10 years than it has in the past 50. Technology and data will accelerate innovation across the sector (e.g. autonomous vehicles, point to point, car share, on demand, mobility as a service).

This points to a future of more mobility services delivered to reflect customers' personal preferences. The Taskforce was prompted by the challenge new technology posed for existing regulators. Its recommendations sought to frame a future where, subject to meeting safety standards, service models would not be constrained in the technology they applied to their service offering. That concern remains relevant five years later.

Further, given the significant changes already experienced in the point to point transport market over the past five years and the further technology innovations currently being explored by service providers, regulators will need to be vigilant to ensure regulatory frameworks remain 'fit for purpose'.

### 5.3 Other Australian jurisdictions

In April 1995, all Australian jurisdictions, including NSW, signed the Competition Principles Agreement (CPA), agreeing that legislation should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs, and
- the objectives of the legislation can only be achieved by restricting competition.

In accordance with the CPA, all jurisdictions – including NSW (see IPART 1999) – reviewed their taxi and hire vehicle regulations. However, only the Northern Territory took the bold step of deregulating its taxi supply in the late 1990s (although caps on supply were reinstituted in 2003). Other jurisdictions made a range of reforms of this sector over the years, but generally maintained caps on numbers of vehicles and on fares, as well as a range of prescriptive quality and safety controls. (The application of these principles to the control of the supply of point to point transport vehicles and the fares they may charge is discussed in detail at [Section 7](#))

A major step towards a new approach came with the establishment in 2011 of the Victorian Taxi Industry Inquiry. The then-Victorian Premier, Mr Ted Baillieu, said when announcing the Inquiry, headed by Professor Alan Fels:

*'It is obvious that the current industry structure and regulation has failed. It has entrenched a lack of accountability for on-the-ground taxi services by the major industry participants.'* (Premier of Victoria, media release, 28 March 2011)

The rideshare model had not yet appeared at the time the Inquiry was established, and was barely emerging by the time the report was tabled in the Victorian Parliament in December 2012 (Victorian Taxi Industry Inquiry 2012). While the Victorian Government did not adopt all of the report's recommendations, a major change was the removal of restrictions on taxi licence numbers, with licences available for a fee set by government.

The implementation of these reforms was soon overtaken by the challenge of what to do about rideshare, both in Victoria and across the country. All Australian jurisdictions have since accommodated the challenge of new service offerings and responded to clear customer demand by reforming their point to point regulatory systems.

The nature of the regulatory and structural reforms has been different in each jurisdiction, as shown in the following table which compares the main features of the current models in the four most populous states.



**Table 1. Comparison of main elements of point to point transport regulation in NSW, Vic, Qld, WA**

Elements of regulation	NSW	VIC	QLD	WA
Taxi licence required for rank and hail (and numbers issued limited)	Y	N	Y	N
Booked vehicle licence required	N	N	Y <sup>1</sup>	N
Area of operations limited	Y <sup>2</sup>	N	Y	N
Booking entity authorisation	Y	Y <sup>3</sup>	Y	Y
Driver authority	N <sup>4</sup>	Y	Y	Y
Rank and hail fares regulated	Y for metro and country	Y for metro and large regional  N for country	Y for South East Qld, regional and rural	Y for metro and regional

Notes:

1. For Qld, all booked vehicles require a licence however, while limousine licences are limited in numbers, there is no limit on other booked services.
2. For NSW, the practice is to not apply area of operation limitations to new licences issued (other than Sydney/outside Sydney).
3. For Vic, booking entities must be authorised, with the exception of booking service providers who only accept bookings for commercial passenger vehicles registered in their name and have no more than two commercial passenger vehicles.
4. For NSW, authorised service providers are responsible for ensuring drivers meet minimum requirements.

Sources: Point to Point Transport (Taxis and Hire Vehicles) Act 2016 (NSW), Commercial Passenger Vehicle Industry Act 2017 (Vic), Transport and Other Legislation (Personalised Transport Reform) Amendment Act 2017 (Qld), Transport (Road Passenger Services) Act 2018 (WA)

In summary, Victoria and Western Australia have moved further than others to remove regulatory requirements, with a licence no longer required for any point to point passenger service and no limitations on supply, new entrants or areas of operation, but with additional safety and security requirements applying to rank and hail service offerings because of the anonymous nature of the service. Entities that provide booking services need to be authorised or registered in some way in every jurisdiction. Rank and hail fares continue to be regulated in each state, at least in their metropolitan and larger regional areas.

Old-style taxi licences that are perpetual and tradeable were abolished in both Victoria and Western Australia. These types of licences continue to exist and continue to be tradeable and leasable in both NSW and Queensland.

While taxi licensing, including caps on numbers, continues in NSW and Queensland, Queensland has also maintained licensing for all booked service vehicles, including a separate category for 'special purpose limousines'. However, this feature is effectively 'grandfathered' to those who held limousine licences pre-reform.

All jurisdictions have adopted a WHS-style risk based approach which involves the sharing of safety duties by all participants in the industry, with taxi and booking service providers at the top of the accountability chain holding key responsibilities for ensuring the safety of their services. In NSW, this extends to making service providers responsible for ensuring their drivers satisfy criminal and medical checks, while regulators in the other states continue to directly authorise drivers.

## 5.4 International experience

Internationally, point to point transport is subject to a variety of regulatory frameworks. Many jurisdictions are still grappling with rideshare, whether and how to permit it, and how to manage its impact on both the incumbent taxi industry and on the local transport ecosystem. In some places, rideshare entered a highly regulated taxi market; in others, taxis and hire cars had already been significantly deregulated well before rideshare arrived.<sup>5</sup>

As in Australia, point to point transport regulation elsewhere tends not to be a national matter, although it may be guided or underpinned by national law or policies. It may be regulated at the state or provincial level (as in Australia), but is often regulated by local government, at the city or council/borough level. This makes it difficult to provide an overview of 'how things are done' in the rest of the world; there are many different approaches.

This section therefore provides only a brief snapshot of point to point transport regulation in New Zealand (as one of our nearest neighbours), and UK/London and New York City (as international cities).

### New Zealand

The taxi industry was one of the last to be deregulated by the New Zealand government as part of its sweeping restructuring of the country's industry in the 1980s. The *Transport Services Licensing Act 1989* removed quantitative controls, and eight years later, [Morrison \(1997\)](#)<sup>6</sup> described the impact as follows:

*'The 1989 legislation, which removed the quantitative controls (deregulation), has been followed by a tripling of the number of companies in the metropolitan centres and a massive increase in the number of taxi cabs. A much wider range of taxi services now exploit different market segments and offer a wider geographic coverage. These changes have been accompanied by a decline in fares in real, if not nominal, terms. As expected, the influx of new players has necessitated the imposition of additional quality controls. Customers have benefited from greater numbers of cabs, shorter waiting times, and a greater range of services. Many more driving jobs have been opened up, although this is widely believed to have been accompanied by reduced incomes and longer hours until the market expanded. The larger firms which existed prior to deregulation have attempted to consolidate their market share in the face of increased competition from newer taxi organisations. There has also been increased competition between taxi and public transport operations as a variety of taxi companies tender for selected routes.'*

The *Land Transport Act 1998* was amended in 2017 to introduce the concept of a 'small passenger service' with new rules for taxis, shuttles, private hire and app-based services (such as rideshare) with 12 seats or less (including the driver). The rules for small passenger services were updated 'to create a level playing field, allow for new technology, and encourage competition, while maintaining the safety of passengers, drivers and vehicles'.<sup>7</sup>

The various rules for taxis, shuttles, private hire and app-based services have been integrated into one set of rules which apply to all. All are now known as small passenger services, provided under a small passenger service licence.

Approved Taxi Organisations (ATOs) do not exist in law any longer, although licence holders may still choose to operate a small passenger service under the same brand. That means small passenger service licence holders do not have to belong to an ATO to operate.

A certificate of knowledge of law and practice, Braille, stickers, signage on vehicles, registered fares, meters, panic alarms and the requirement to offer a 24 hours a day 7 day a week service are no longer required. However, a small passenger service may still choose to have these things.

## United Kingdom/London

In the United Kingdom (UK), many transport issues are regulated at the local council or borough level. During 2018-19, the UK Government reviewed local licensing authorities' regulation of the industry following the entry of Uber. Recommendations were made about a new regulatory structure, ensuring public safety, and working conditions. The government response was lukewarm, particularly in relation to changing the regulatory framework. It endorsed the safety focus, but mostly left matters to the local authorities. Consultation on proposed standards for licensing authorities was conducted in early 2019.<sup>8</sup>

In March 2019, the UK Government issued its *Future of Mobility: Urban Strategy* which includes a commitment to review the regulatory framework for taxis and hire vehicles, saying:

*'This review will build on the significant work already being undertaken to address challenges around these individual services. It will ensure that in aiming to improve bus, taxi and private hire services today, we do not make it more difficult or impossible to achieve the benefits of tomorrow.'*  
(UK Department of Transport 2019, p 55)<sup>9</sup>

The reform process appears to be ongoing and no updates appear to be available.

Taxis and private hire vehicles (PHV) in London must be inspected and licensed by Transport for London (TfL).<sup>10</sup> There are no limits on the number of vehicle licences. TfL describes its role as follows:

*'We license London's taxi and private hire drivers to ensure a safe and reliable service for the public.'*  
*'We aim to maintain high industry standards by working with the police and other bodies to improve passenger safety, and to support legitimate and law abiding taxi and private hire drivers. To do this, we use a wide range of covert and high visibility tactics to deter, disrupt, and enforce against illegal and non-compliant drivers, vehicles and operators.'*

The majority of the 20,000 taxi vehicles currently licensed in London are owned and driven by individual licensed drivers. To be a licenced taxi driver, the individual has to pass 'The Knowledge', a test of London geography that can take between two and four years' study. However, a significant number of vehicles are owned and maintained by individuals and companies, known as approved London taxi proprietors. There is no application or annual fee to become a taxi proprietor, and the only requirement is to pass the criminal record check. These proprietors rent vehicles to licensed taxi drivers who do not own a vehicle. The proprietor is responsible for: maintaining vehicles, making vehicles available for inspection, maintaining records of drivers, returning expired licence plates.

Taxis must be fitted with a meter that calculates the maximum fare based upon time of day, distance travelled and taxi speed. TfL is responsible for reviewing and setting taxi fares and tariffs.

Private hire includes all types of booked services (examples include minicabs and rideshare). All licensed private hire drivers must work for a licensed private hire operator. Anyone who wants to accept private hire bookings must be licensed as a private hire operator. By using a licensed operator, passengers can have confidence that the driver and vehicle are also licensed by TfL. Hire vehicles must provide an accurate fare estimate before the journey starts (or the customer can pre-agree a fixed fare). TfL does not regulate private hire fares, although they are typically distance based.

On 25 November 2019, TfL notified Uber London Limited that it would not be issued with a new PHV operator's licence at the expiry of its then current licence. TfL said it had identified a pattern of failures by the company including several breaches that placed passengers and their safety at risk (TfL 2019)<sup>11</sup>. Uber has challenged this decision and the proceedings are ongoing.

## New York City

The New York City (NYC) Taxi and Limousine Commission (TLC)<sup>12</sup> describes its role as follows:

*'It is a priority ... to provide safe, reliable transportation options for all New Yorkers and to recognize and address the needs of our licensees. TLC supports and contributes to city-wide efforts of traffic safety, accessibility and technological improvements.'*

The TLC licenses over 130,000 passenger vehicles in NYC. Yellow taxicabs are the only vehicles licensed to pick up street-hailing passengers anywhere in NYC. Green cabs provide street-hail service and prearranged service in upper Manhattan and the outer boroughs. For-Hire Vehicles (FHV) include black cars (the ridesharing companies like Uber and Lyft) and luxury limousines. Standard metered fares are charged for street hails by yellow taxis and green cabs, while booked fares in green cabs and For-Hire Vehicles are set by the base or smartphone app used to reserve the trip.

There are 13,587 taxis in NYC (apparently unchanged since July 2014) and each taxi must have a medallion affixed to it. Medallions are auctioned by the city and are transferrable on the open market by licensed brokers.

Reportedly, medallions were valued at over \$1 million in 2013-14, and then started to drop rapidly due to the arrival of ridesharing.<sup>13</sup> In August 2018, the city voted to stop issuing new rideshare licenses for one year while it studied the industry and its impacts. These measures were reportedly prompted by concerns about congestion, with the number of rideshare vehicles allegedly outnumbering medallion vehicles by four to one, as well as concerns about the impact on medallion values and their owners ([Wodinsky 2018](#))<sup>14</sup>.

The TLC website currently states that 'only owners of wheelchair accessible vehicle and electric vehicles or drivers with a lease-to-own contract may apply for a new FHV vehicle license'.

## 6 A dynamic point to point transport market

In 2015, the Taskforce observed that the warm response of customers to ridesharing provided some idea of how the Australian public would likely respond to new service offerings ([p 4](#))<sup>15</sup>. However, the Taskforce was also concerned to retain a strong and effective rank and hail market, particularly in Sydney. It saw rank and hail as an essential component of the point to point transport offering of a global city.

This section explores how the point to point transport market is transforming, and how it has changed in the five years since the Taskforce review and in response to the Taskforce reforms. The available evidence suggests the overall demand for point to point transport services in NSW has grown significantly over the past five years. Customers are ‘voting with their feet’ by choosing the new booked service models in increasing numbers, particularly in Sydney, and the use of rank and hail has declined. This response by customers to the expanded range of service offerings has impacted significantly on demand for taxis. Their previous market dominance in Sydney has been significantly eroded.

The impact in metropolitan Sydney and regional markets differs, reflecting the greater disruption in urban areas, with rideshare not yet as widespread and established in regional NSW, along with different underlying economic and demographic conditions.

Specifically, this section discusses in detail changes in customer usage of service types and customer perceptions and satisfaction with point to point transport services, and how this has shaped demand trends since the 2015 reforms. It outlines the greater diversity of service providers and their availability across the state, and some likely future developments. This sets the scene for the substantive sections of the report, which address the terms of reference directly.

### Background

There is an absence of definitive and publicly available data on demand for point to point services in NSW. The NSW Point to Point Transport Commissioner collects various industry data, but apart from aggregate state-wide passenger service levy collection data, raw data on the number of trips industry participants provide at regional level or otherwise, for instance, is not publicly available. Therefore, to understand changes in the point to point transport market since late 2015, this review sought information, where available, from a wide variety of sources and pieced this together to build a picture of the market and how it has evolved from 2015 to now. Such information includes: data on the amount of passenger service levy collected from the Revenue NSW website; findings from TfNSW customer satisfaction surveys; annual customer surveys commissioned by IPART; and surveys conducted by industry stakeholders – the results of which were provided to this review.

Since 2012, IPART has commissioned state-wide surveys to gauge customers’ use and perceptions of point to point transport. These have been invaluable in understanding customer choices and behaviour in recent years. Taverner Research conducted these surveys from 2014 to 2017. Orima Research was commissioned to conduct the survey annually in [2017](#)<sup>16</sup>, [2018](#)<sup>17</sup> and [2019](#)<sup>18</sup>, with the survey revised to better reflect the new regulatory framework, including parallel questions about each of the different types of point to point transport.

Orima Research (2018) warns that: ‘Comparisons to data prior to the 2017 benchmarks should be made with caution due to the substantial change in methodology’ ([p 3](#))<sup>19</sup>. Due to this break in data continuity, the review’s deliberations have mostly relied on Orima Research findings for 2017, 2018, and 2019, with earlier findings by Taverner Research referred to as appropriate.

For those wishing to study the data more closely, the surveys and other reports commissioned by IPART are available on the [IPART website](#)<sup>20</sup>.

## 6.1 Customer usage

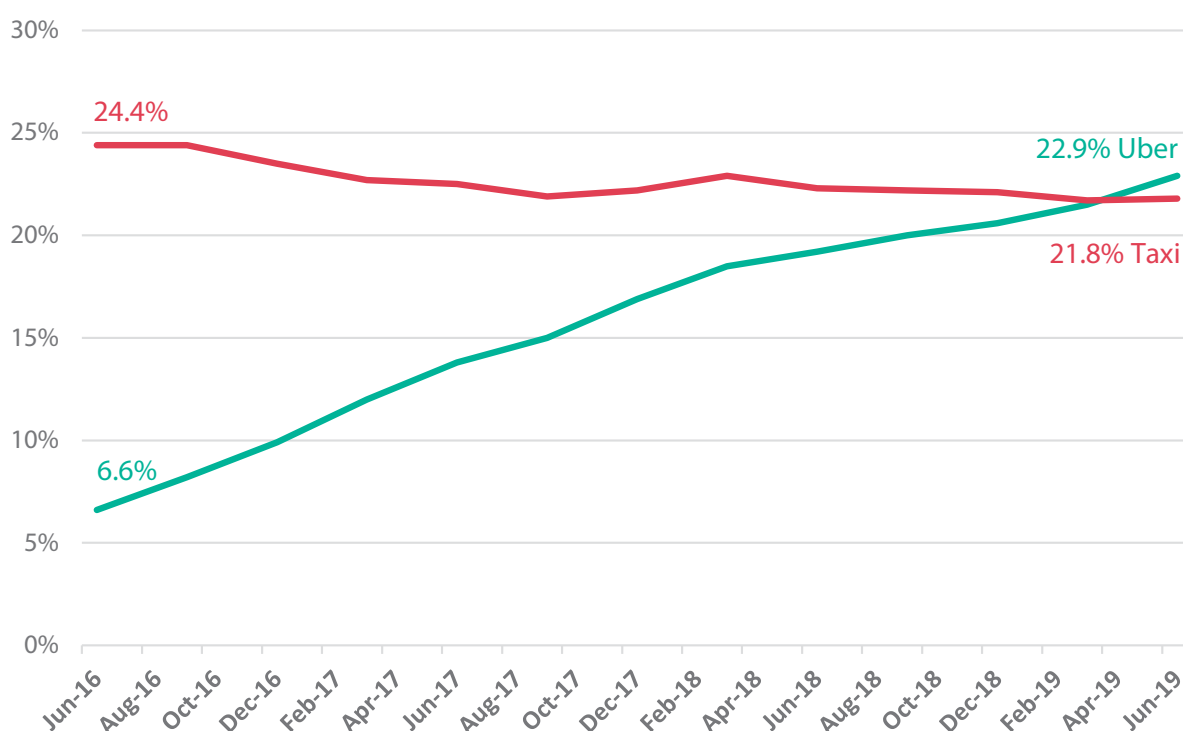
To understand trends in customer usage of point to point services, in the first instance, the review has examined reports on the proportion of people using services (market penetration or the customer base) along with the frequency with which they use services. Changes in both these factors shape overall changes in the demand for all services and service types.

The available evidence suggests that since 2015, and more so in the past three years, rideshare market penetration has grown rapidly in Sydney especially, to now exceed taxi market penetration in the metropolitan area. Further, rideshare customers tend to use these services more frequently than taxi users.

### National trends

Although it only entered the Australian market relatively recently,<sup>21</sup> Uber has tracked a rapid growth curve and is now reportedly achieving a greater share of customers in the market than taxis.

**Figure 3. Percentage of Australians who used each service in an average three months**



Source: Roy Morgan (2019), Ride-sharing app Uber overtakes taxis as preferred private transport service, media release, 26 August 2019. Data source: Roy Morgan Single Source Australia, July 2015 - June 2019. Rolling 12-month quarterly figures. Average interviews per year n=14,733. Base: Australians aged 14+

In August 2019, Roy Morgan reported:

*'Over the past three years, Uber has experienced a dramatic rise in popularity. The proportion of Australians utilising the service in an average three-month period has increased from 6.6% (1.3 million) of the population, to 22.9% (4.7 million), an increase of 16.3% points (+3.4 million)'. [\(p 1-\)](#)<sup>22</sup>*

and

*'Although Uber is now the preferred service, the proportion of Australians using taxis has remained relatively steady in recent years, dropping only slightly from 24.4% (4.8 million) to 21.8% (4.5 million)'. [\(p 1\)](#)<sup>23</sup>*



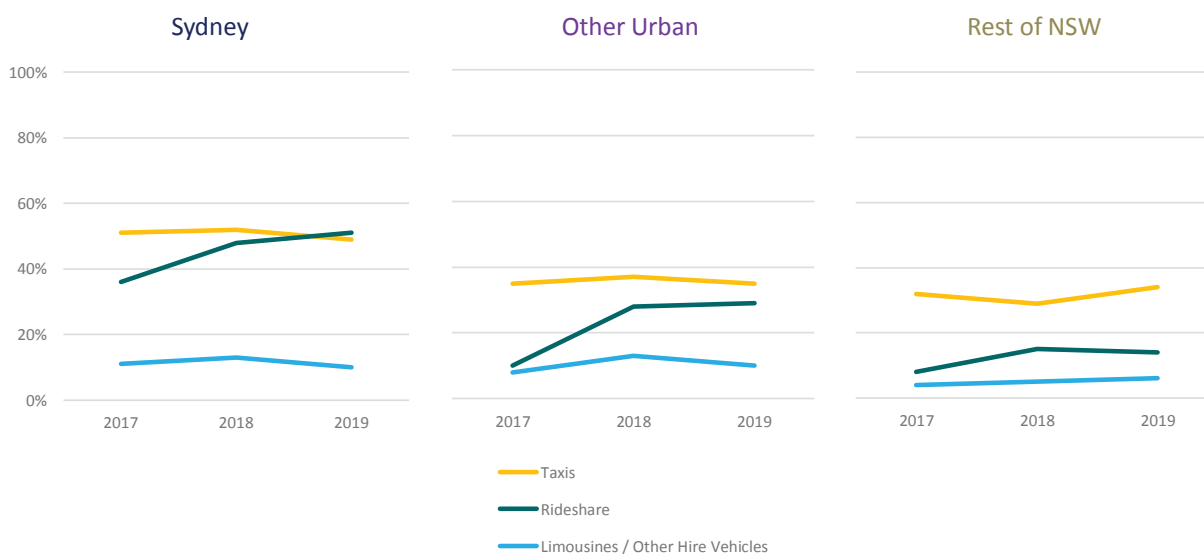
## Market penetration in NSW

A similarly strong uptake of rideshare services is apparent in NSW in recent years.

Customer research commissioned by IPART provides insights into the levels of market penetration for the different segments of the point to point transport industry from 2014-19.

More recently, as illustrated below, Orima Research surveys indicate respondents' using taxi services in Sydney at least once in the past six months had declined from 2017-19, dropping below 50 per cent of those surveyed in 2019 for the first time. Meanwhile, rideshare grew strongly from 36 per cent in 2017 to 51 per cent, just eclipsing taxi use.

**Figure 4. Change in usage of point to point transport services in the last six months among all respondents, 2017-19**



Source: Orima Research (2019), Survey of Point to Point Transport Use, p 6, commissioned by IPART, accessed 18 May 2020 from IPART website.

Earlier customer research by Taverner Research (2017) [\(p 11\)](#)<sup>24</sup> showed that the percentage of Sydney residents who used taxi services in the past six months at least once was as high as 58 per cent in 2014 and remained fairly steady through to 2016. In contrast, in 2014, the percentage of Sydney residents who had used rideshare services at least once in the past six months was reportedly 11 per cent, growing strongly during 2014 and 2015.

These figures reflect the dominance of taxi use in Sydney prior to the Taskforce reforms and the legalisation of rideshare. As previously noted, the two surveys should not be compared directly. Nevertheless both illustrate a rapidly growing customer base for rideshare in Sydney since 2015.

The Orima Research shows the proportion of the population using point to point transport in the past six months is lower outside Sydney. However, taxi use in other urban areas (Wollongong, Newcastle and the Central Coast) has remained reasonably steady, while that of rideshare is increasing – and was not far from convergence with taxis in 2019. In the rest of NSW, the proportion of residents reporting taxi use has also remained relatively stable over the three years, with only modest growth in the proportion of residents using rideshare.

Many regional areas are yet to experience rideshare services, and these trends may well change as rideshare services become more widely available throughout NSW.

The customer surveys commissioned by IPART demonstrate overall, and for the Sydney market in particular, that in the period 2014-19, the market penetration of taxi services has moved from its dominant position prior to the 2015 reforms – by 2019, the market penetration of rideshare services in Sydney had grown to equal and slightly exceed the size of the customer base for taxis.

The Orima Research also addresses the frequency of usage of services among those who had used services in the past six months. Orima's results for 2017-19 indicate that people who use rideshare services do so more frequently than those who use taxis or other hire vehicles.

From 2017 onwards, Orima's surveys reveal that among the reported rideshare users in Sydney, about two-thirds use the service at least monthly. About half of taxi users were using taxis at least monthly. Similarly, the proportion of rideshare users who used services at least weekly exceeded the proportion of taxi users doing the same. (2019, p 10)<sup>25</sup>. As noted earlier, in Sydney in 2019 the reported market penetration for rideshare (51 per cent) was a bit higher than taxis (49 per cent). These trends would indicate that the more frequent use among rideshare customers would translate into a relatively higher demand for rideshare trips than demand for taxi trips, with overall rideshare market share exceeding taxi market share.

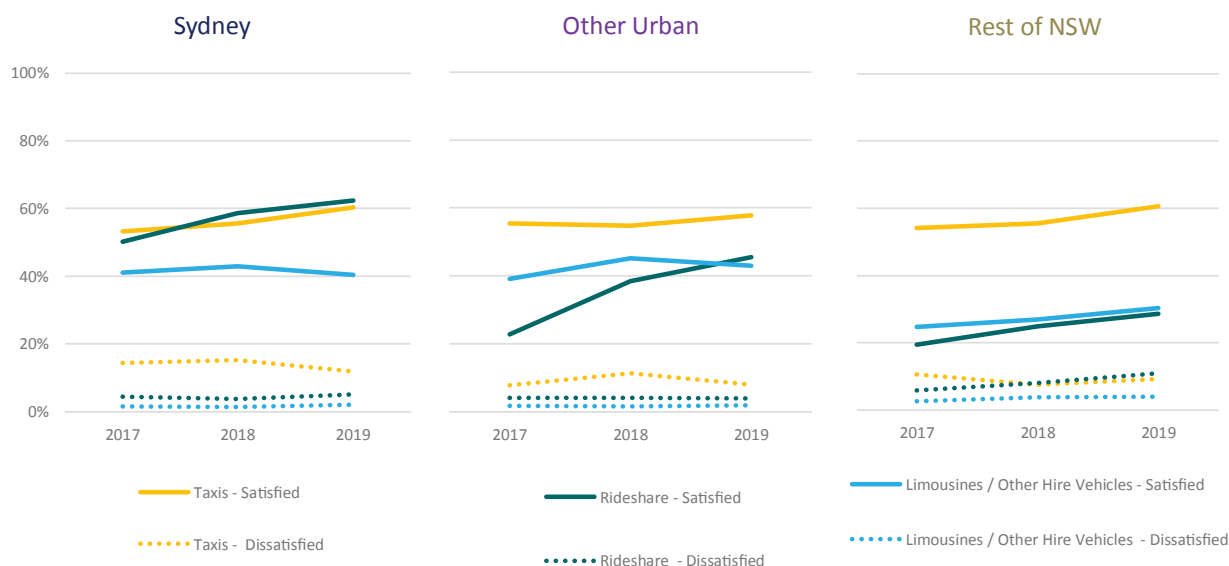
## 6.2 Customer satisfaction and perceptions

This review finds that while satisfaction with rideshare is high and has been increasing over time, there has also been a notable increase in satisfaction with taxi services, confirming the expectation that the 2015 reforms would have a positive impact for customers overall. However, there are important differences in customer perceptions of service types with rideshare being perceived, in particular, as being better value for money compared with taxis and other hire vehicles.

### Satisfaction with services

As illustrated below, Orima Research (2019) reports that while some indicators suggest a plateauing of market penetration and use in rideshare services – particularly in Sydney – in the three years to 2019, its survey suggests increased customer satisfaction and perceived overall value. At the same time, there is increased satisfaction with taxis, and active dissatisfaction with taxi service has decreased slightly.

**Figure 5. Change in satisfaction with point to point transport services**



Source: Orima Research (2019), Survey of Point to Point Transport Use, p 26, commissioned by IPART, accessed 18 May 2020 from IPART website.

It should be noted that, for rideshare, percentage measures of those who are satisfied, dissatisfied and the corresponding differential are much lower for other urban areas and the 'rest of NSW' than those for Sydney largely due to higher percentages of respondents in regional areas reporting 'neutral' and 'don't know' responses (p 25)<sup>26</sup>. This is probably due to samples for these areas including more people who have not used rideshare because rideshare has not been an option for as long in other urban areas or is not yet available.

The yearly TfNSW Point to Point Customer Satisfaction Index , based on responses from more than 3,000 customers using services in urban areas (Sydney, Newcastle, Wollongong and the Central Coast), also shows overall satisfaction with taxis has increased, from 82 per cent in 2013 to 86 per cent in 2019 (TfNSW (p3))<sup>27</sup>

**Table 2. Overall customer satisfaction over time – TfNSW**

Mode	Nov 2013	May2016	Nov 2016	May 2017	Nov 2017	May 2018	May 2019
Taxi	82%	82%	85%	81%	84%	84%	86%
Rideshare	N/A	N/A	N/A	88%	91%	92%	91%
Hire car	N/A	N/A	N/A	85%	88%	91%	86%

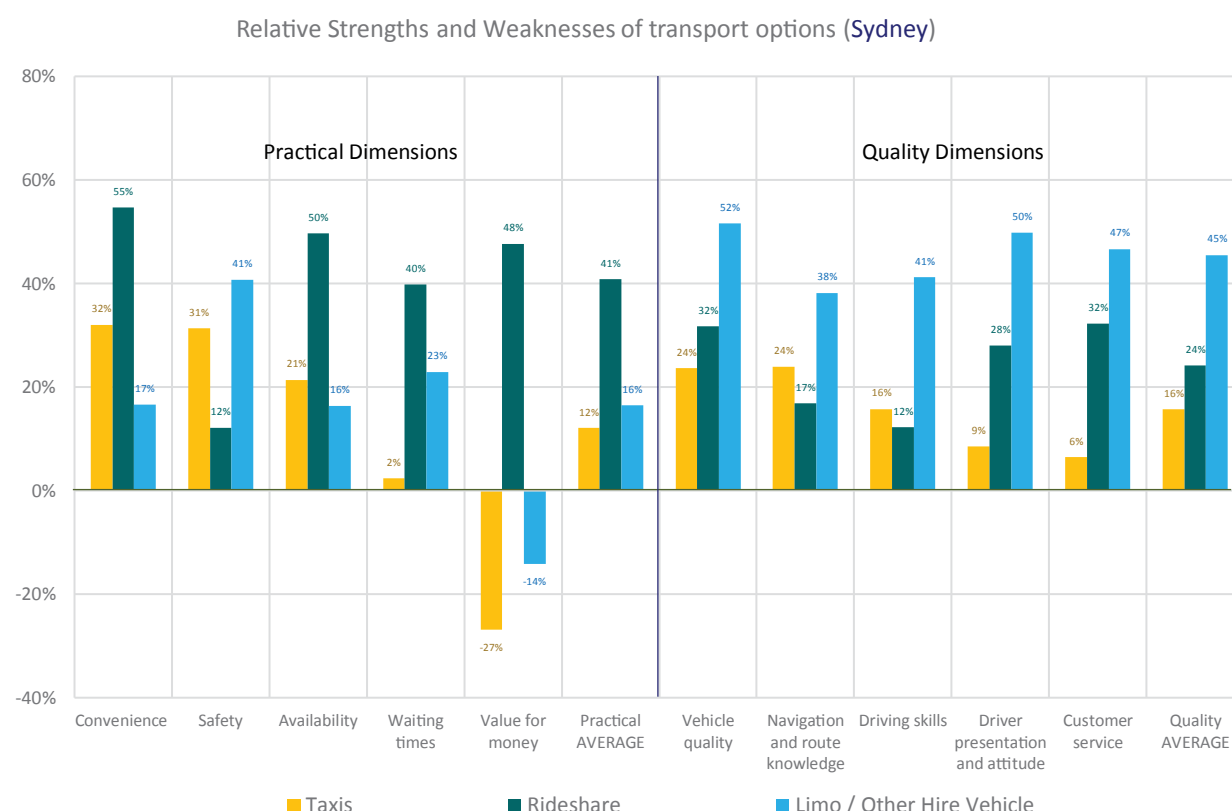
Source: TfNSW Point-to-Point Customer Satisfaction Index, May 2019

Overall satisfaction with rideshare is high and has remained stable at 91 to 92 per cent since November 2017 (when the survey first included other forms of point to point transport services). Traditional hire car services also rate highly.

### Perceptions of point to point transport options

The Orima Research also provides valuable information on how people perceive the various types of point to point transport.

**Figure 6. Strengths and weaknesses of transport options amongst those aware of the service in their region – Sydney**



Source: Orima Research (2019), Survey of Point to Point Transport Use, p 28, commissioned by IPART, accessed 18 May 2020 from IPART website.

Figure 6 (showing the Orima Research 2019 survey findings) illustrates that for Sydney, rideshare scores strongly compared with taxis on most of the practical and some quality measures explored. The results illustrate clearly that rideshare's main point of difference is 'value for money'. Convenience, waiting times, and availability are also reported as key competitive strengths. On the other hand, the survey finds taxis

do not appear to have clear differentiating strengths and they score particularly poorly on 'value for money'. The results suggest that limousines and other hire vehicles are positioned as offering quality service but are lower in value for money, availability, convenience and waiting times [\(p 27-28\)](#)<sup>28</sup>.

Further findings indicate the pattern of customer perceptions in other urban areas is similar to Sydney. However, there is a different dynamic in the rest of NSW, with Orima Research reporting in 2019:

*'Taxis are viewed more similarly to limousines and other hire vehicles, and equal or ahead of rideshare on most facets other than value and waiting times. This pattern is consistent with what has been observed in the previous surveys, and suggests that perceptions of the different transport services are not rapidly changing in these areas'. [\(p 29-30\)](#)*<sup>29</sup>

By comparison, the TfNSW Point to Point Customer Satisfaction Index for May 2019 indicates that customers of taxis in urban areas were most satisfied with aspects relating to safety, ease of payment, booking and finding a taxi at a rank, and the cleanliness and comfort of the vehicle. However, high levels of dissatisfaction (over 10 per cent) were recorded for fares and surcharges and availability of information on fares and at ranks.

Customers of rideshare services in urban areas were most satisfied with the ease of booking and payment, safety of driving and presentation, cleanliness and comfort of the vehicle, and dissatisfaction was low for all attributes (below six per cent). For traditional hire cars, satisfaction was greatest with vehicle comfort, knowledge and presentation of the driver and safety of driving, while dissatisfaction was low across the board, below seven per cent (TfNSW 2019) [\(p 7-9\)](#)<sup>30</sup>.

## 6.3 Demand trends

The emergence of rideshare services has presented significant challenges for the taxi and traditional hire car industries, with the available evidence pointing to taxis losing market share in urban areas in recent years, despite significant growth in the point to point transport service market overall.

### National picture

IBISWorld (2019) reported the rideshare industry sector has grown rapidly in its early years from 2012 with annualised revenue growth in excess of 50 per cent for the five years to 2020. However, it anticipated some future market stabilisation. IBISWorld found demand had grown rapidly in major cities across Australia, with intense competition among operators and industry participation increasing as 'consumers become increasingly accepting of ridesharing services' [\(p 4\)](#)<sup>31</sup>.

In contrast, in 2020 IBISWorld reported that the taxi and limousine industry 'has faced intensifying external competition over the past five years', with consumers increasingly using cheaper transport providers such as Uber' [\(p 5\)](#)<sup>32</sup>.

## Demand trends in NSW

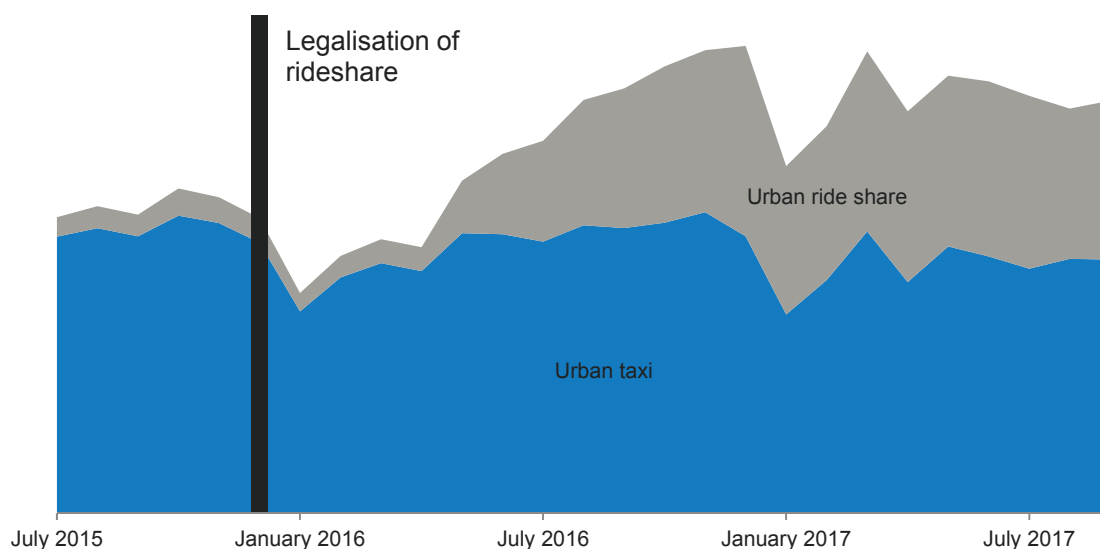
As one of the first cities where rideshare entered the Australian market, growth in rideshare demand in Sydney is likely to parallel the national picture to a large degree. This section explores how the uptake of rideshare has impacted demand for point to point transport overall and how that demand is shared across the various service types.

**In the pre-reform period**, IPART estimated that for 2012-13 there were 43 million taxi trips in Sydney ([IPART 2014a](#))<sup>33</sup>. This would have represented the lion's share of the demand for all point to point transport services at the time, being complemented by an unknown but comparatively very small number of trips taken in traditional hire cars and limousines<sup>34</sup> along with a portion of services provided by Uber Black (launched in Sydney in 2012).

**Early in the post-reform period**, from 2015-17, IPART reported growing demand for point to point transport services overall, with demand for taxis remaining fairly stable or declining slightly. This finding was based on research conducted by HoustonKemp Economists, which examined a sample of electronic transactions for rideshare and taxi services taken in NSW.

## Metropolitan Sydney

**Figure 7. Growth in the point to point transport market in the urban fare area**



**Note:** This graph shows growth in number of transactions. It is based on debit and credit card transactions, and as such does not take into account whether this represents an increasing proportion of taxi trips.

**Data source:** HoustonKemp, *Use of ridesharing and taxi services in New South Wales*, November 2017 data sourced from Data Republic and adjusted based on Taverner Research, *Comparing Surveys of Point to Point Transport Use, November 2014 to February 2017*, May 2017.

Source: IPART Review of taxi fares in NSW and licences outside Sydney from 1 July 2018 – Final Report March 2018, p 31

IPART (2018) reported that from July 2015-17, the number of taxi trips in NSW was relatively stable but the point to point transport market had grown substantially. IPART estimated the overall demand for point to point transport services in the urban fare area (Sydney, Wollongong, Newcastle and Central Coast) had grown by 45 per cent from 2015-16 to 2016-17.

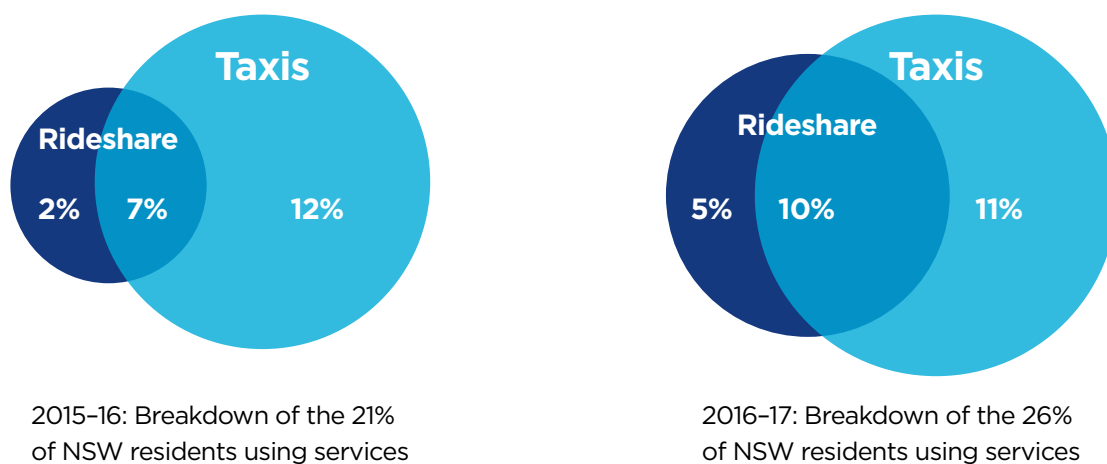
IPART assessed that within the overall growing market, taxis had largely held their own with demand for taxis showing only a modest decline from July 2015 to July 2017. However, the market share of taxi service providers fell from about 90 per cent to 60 per cent as the market grew overall ([p 31](#))<sup>35</sup>.

## Regional NSW

In contrast, the study showed that the number of taxi trips in regional NSW remained relatively stable, although IPART qualified this finding on the basis that electronic transaction records may not be representative of demand for taxis in the country. IPART noted that stakeholders reported declines in demand but IPART believed that was most likely a result of increasing competition from courtesy buses and community transport, increasing use of rideshare (although rideshare was not in country NSW much at that stage), private vehicle ownership, decreasing population and worsening conditions in the local economy ([p 26-27](#))<sup>36</sup>.

This research also provides some useful insights about customer behaviour that lies behind the growth in overall demand for services while taxi demand declined and rideshare demand grew. HoustonKemp Economists, which undertook the study for IPART in 2017, explored how the customer bases for taxis and rideshare overlap. It showed that from 2015-16 to 2016-17, the proportion of NSW residents using taxi only had dropped and the proportions using rideshare only and both rideshare and taxis had increased ([p 3](#))<sup>37</sup>. [Figure 8](#) below illustrates the findings.

**Figure 8. Proportion of NSW residents within sample using point to point transport services with electronic transaction in 2016-17 compared with 2015-16**



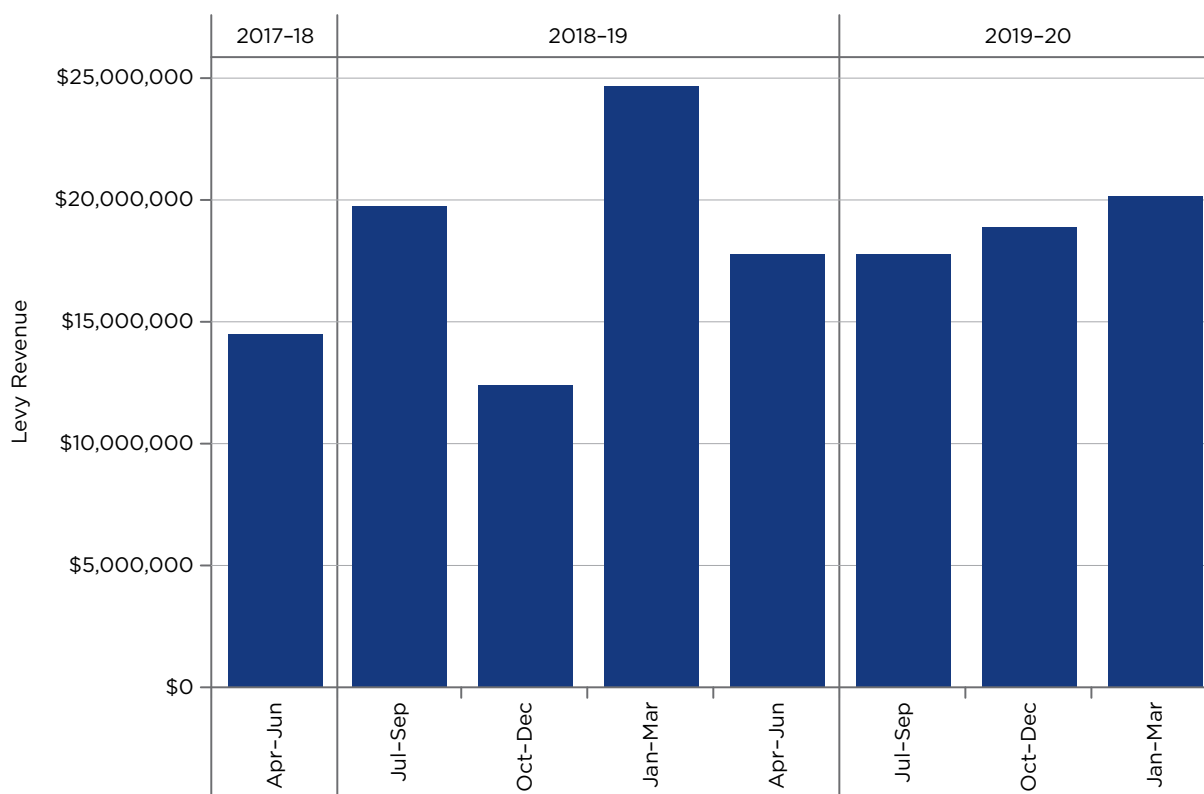
Note: Diagrams not to scale. Source: Data from HoustonKemp Economists (2017) report to IPART on Use of ridesharing and taxi service in NSW ([p 3-4](#))<sup>38</sup>

For 2015-16, the study reported that the sample of people using taxi and rideshare services represented 21 per cent of all NSW residents. Within this 21 per cent, 12 per cent used taxis only, two per cent used rideshare only, and the remaining seven per cent used both. By 2016-17 the sample of users had grown to represent 26 per cent of all NSW residents, but within that 26 per cent, those using both taxis and rideshare had lifted to 10 per cent and those using rideshare only had increased to five per cent. This suggests a drift in customers towards rideshare services, with taxi customers increasingly choosing to use a combination of services and more customers choosing to use rideshare exclusively ([p 4](#))<sup>39</sup>.

**Most recently in the post-reform period**, from 2018 to early 2020, the review considered evidence of growing overall demand for point to point transport services based on the collection of the passenger service levy.



**Figure 9. Passenger service levy revenue**



Source: Revenue NSW, Passenger service levy report: from inception to 31 March 2020

The Passenger Service Levy (PSL) has been in effect since 1 February 2018. It was introduced to fund the industry adjustment assistance package to help traditional industry participants adapt to the post-2015 reforms. The levy is \$1 (exclusive of GST, or \$1.10 GST inclusive if the levy is passed on to the customer) for every trip provided in taxis, rideshare vehicles and other hire vehicles operating under the point to point transport regime.

The amount collected serves as a good proxy for overall number of point to point transport measured trips provided (i.e. overall levels of demand). The available data on the PSL collection, as shown in [Figure 9](#) above, confirms continued modest growth in demand for point to point transport services, with revenue increasing from around \$71.2 million (equating to 71.2 million trips) in its first year of operation to end March 2019 to around \$74.5 million (equating to a 4.6 per cent uplift to 74.5 million trips) in its second year of operation to end March 2020 ([Revenue NSW 2020](#))<sup>40</sup>. Not surprisingly, the amount collected has dropped dramatically since March 2020 due to the major downturn in the industry with coronavirus pandemic restrictions.

**Findings over the three timeframes**, when put together, provide useful insight into the overall demand for point to point transport and how it has most probably changed in the years just prior to and since the reforms. This review concludes that overall demand has possibly grown from an indicative 50 million or so trips per annum in about 2012-13<sup>41</sup> to some 75 million now (based on the PSL data). This is a significant expansion in demand in the seven-to-eight years since rideshare entered the market. This indicative assessment of demand growth (up about 50 per cent from 2012-13 to now) aligns reasonably well with the underlying 45 per cent growth in demand for point to point services in the major urban areas from July 2015-17, as reported by IPART and discussed above.

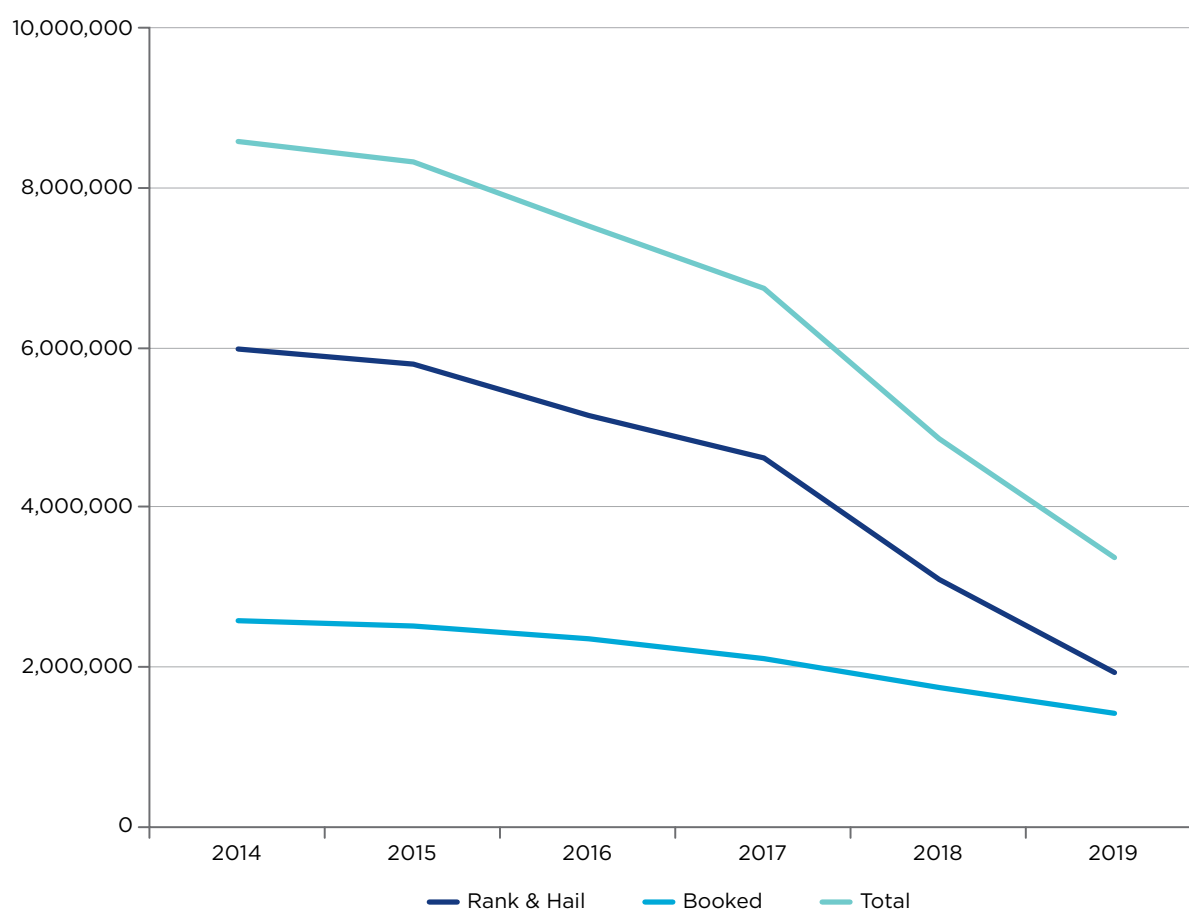
## Evidence from industry

The review heard from many industry participants that the market outlook for taxis in NSW has been increasingly challenging in recent years, particularly in Sydney.

In its submission the Taxi Council reported the outcomes of a member survey on taxi trips provided annually from 2014 just before the reforms through to 2019. This was the only source of continuous longitudinal data on demand for services available to the review; while it relates to taxis only it adds to and helps compile the overall picture of how the market for point to point transport services has changed over the period.

## Metropolitan Sydney

**Figure 10. T plate number of fares**



Source: NSW Taxi Council Member Data from 1240 T plated licences, in NSW Taxi Council submission, p 29

The Taxi Council surveyed a sample of 1,240 taxis (T plates) in Sydney. The chart at [Figure 10](#) illustrates the findings of the survey, indicating a persistent annual decline in the overall number of trips provided by the sampled plates from 2014-19, with the annual rate of decline having increased since 2017.

In its submission, the Taxi Council also observed the rank and hail market in Sydney ‘has been experiencing a decline since 2014. This decline increased to over 30% each year for the past 2 years, 2018 and 2019’ (p 29). The survey results show that booked services in Sydney also declined but at a slower rate.

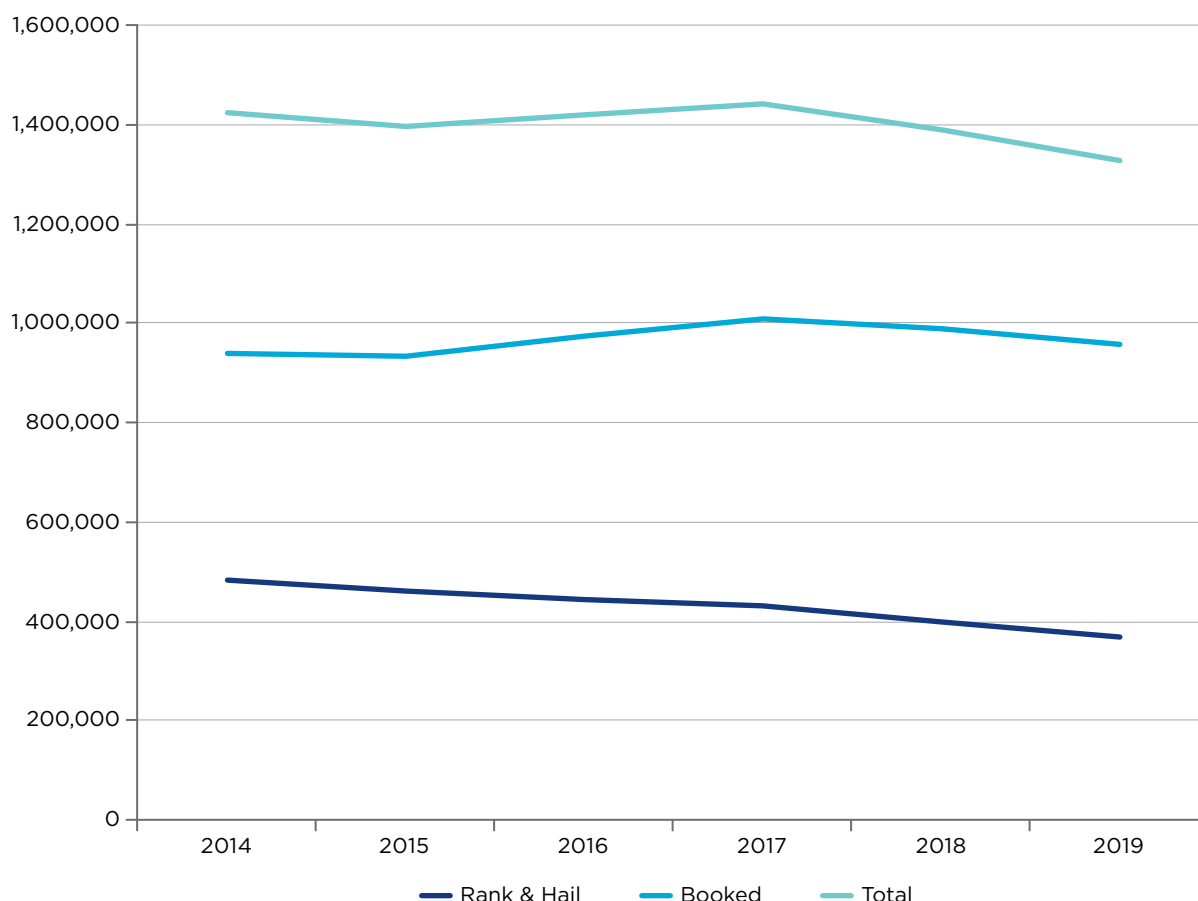
A decline in booked services might have been expected as they were deregulated under the reforms and opened to competition. The decline in rank and hail services was not anticipated and could indicate that these services are not as fundamental to customers’ transport needs in the city as the Taskforce envisaged, or that they are not providing the consumer convenience now expected. Rideshare services may be just as convenient and efficient (in terms of minimal waiting time) at a lower price. The growing Sydney rideshare market suggests that this is the case, as do the survey findings about consumer

perceptions as discussed earlier. However, the trend to rideshare may also reflect that Sydney taxis have been constrained in their ability to compete for increased demand due to supply being capped at 2015 levels in the same timeframe.

It is worth noting, however, that rank and hail trips remain important to taxi users. The Taxi Council survey indicates that well over half of all trips provided are rank and hail trips. This is confirmed in the customer research reporting 54 per cent of Sydney taxi customers used rank and hail for their last trip ([Orima Research 2019, p 60](#))<sup>42</sup>. It would appear that rank and hail services remain important for a particular taxi-using market segment, although that taxi-user customer base is declining.

## Country:

**Figure 11. TC plate number of fares**



Source: Taxi Council Member Data from 236 TC plated licences, in NSW Taxi Council submission, p 30

The Taxi Council submission also reported the outcomes of a survey of taxis (TC plates) across country and regional NSW, with a sample size of 236 TC plates. The country taxi survey data (see [Figure 11](#)), demonstrates that reported demand for taxis in regional NSW remained fairly steady, or declined only slightly, during the period – although the survey suggests that any overall decline was most likely due to a gradual decline in rank and hail services over the period surveyed.

The review notes that any decline (be it relatively minor) in taxi business in country and regional areas compared with the rapid changes in the Sydney market most likely reflects that, to date, rideshare has not operated in many parts of regional NSW – and where it has been operating, it is not long established. Otherwise, a modestly declining demand in country areas, where it exists, may be due to other factors, including one or a combination of population changes, car ownership, and possibly also new delivery models for government-funded programs like the NDIS and home care services.

However, with rideshare services set to become increasingly available across regional NSW, country taxis can expect markedly different business conditions associated with that development.

## Market trends in summary

The above examination of the available data reveals a number of trends in the NSW point to point transport market, undoubtedly enabled and influenced by the Taskforce reforms. In summary these include:

- Overall demand for point to point transport services in NSW has grown significantly over the past five years, possibly by up to 50 per cent on pre-reform levels
- While the proportion of NSW residents choosing to use rideshare services is growing, the proportion using taxi services has declined. In Sydney, the number of rideshare users now exceeds the number of taxi users
- Rideshare customers use those services more frequently than taxi customers use taxi services
- Rideshare services are viewed as offering better 'value for money' than taxis and, especially in urban areas, the efficiency and timeliness of app-based booking technology appears to be increasing in its appeal to customers compared with rank and hail taxi services
- Demand for taxis in Sydney has declined significantly in recent years, with other urban centres such as Wollongong, Newcastle and the Central Coast, suffering lesser declines. From being the dominant provider of point to point transport services in Sydney, the taxi market share has dropped below parity with rideshare
- Demand for rank and hail services, in Sydney in particular, is also experiencing significant decline. Customers appear to view rideshare as offering the same, if not better, convenience, efficiency and timeliness as rank and hail services may have done in the past
- Taxi services continue to hold a strong position in country areas, arising from high levels of awareness and satisfaction with services and other factors – but with the anticipated entry of rideshare services throughout NSW, this may well change.

## 6.4 Supplier trends

The Taskforce expected that the reforms would provide an opportunity for the supply side to diversify with new entrants with more choice for customers.

When the P2P Act commenced, there were 1344 authorised service providers (ASPs). As at May 2020, there were 1963 booking service providers (BSPs). There are now 302 taxi service providers (TSPs) authorised by the Point to Point Transport Commissioner (Point to Point Transport Commission 2020).

Uber operates across Sydney and is established in major regional centres such as Bathurst, Coffs Harbour, Orange, Port Macquarie, Tamworth and Wagga Wagga, as well as operating along the coast from Tweed Heads to Ulladulla ([Uber 2019](#))<sup>43</sup>. Most recently, Uber announced its planned expansion right across regional NSW from the end of June 2020 ([Uber 2020](#))<sup>44</sup>.

Ola is understood to have entered the NSW market in March 2018 ([Ola 2018](#))<sup>45</sup>, with Didi entering the NSW market in March 2019 (in Newcastle), expanding to Sydney in March 2020 (Point to Point Transport Commission 2020).

Ola is now looking towards expansion and informed the review in its submission that:

*'In Australia and New Zealand, we have over 1.5 million users and as of July 2019 we had served over 100 million kilometres. We have over 75,000 drivers on the platform and we are looking to double this within the year'. (p 2)*

The taxi industry continues to consolidate with large networks improving taxi booking and dispatch technologies, branding and customer awareness, and customer experience. In its submission 13cabs advised that it is 'effectively representing the interests of 70 per cent of Sydney's Taxis and Taxi Drivers'. The review also understands that 13cabs has expanded its coverage into regional areas such as the mid-north coast (13cabs 2020).

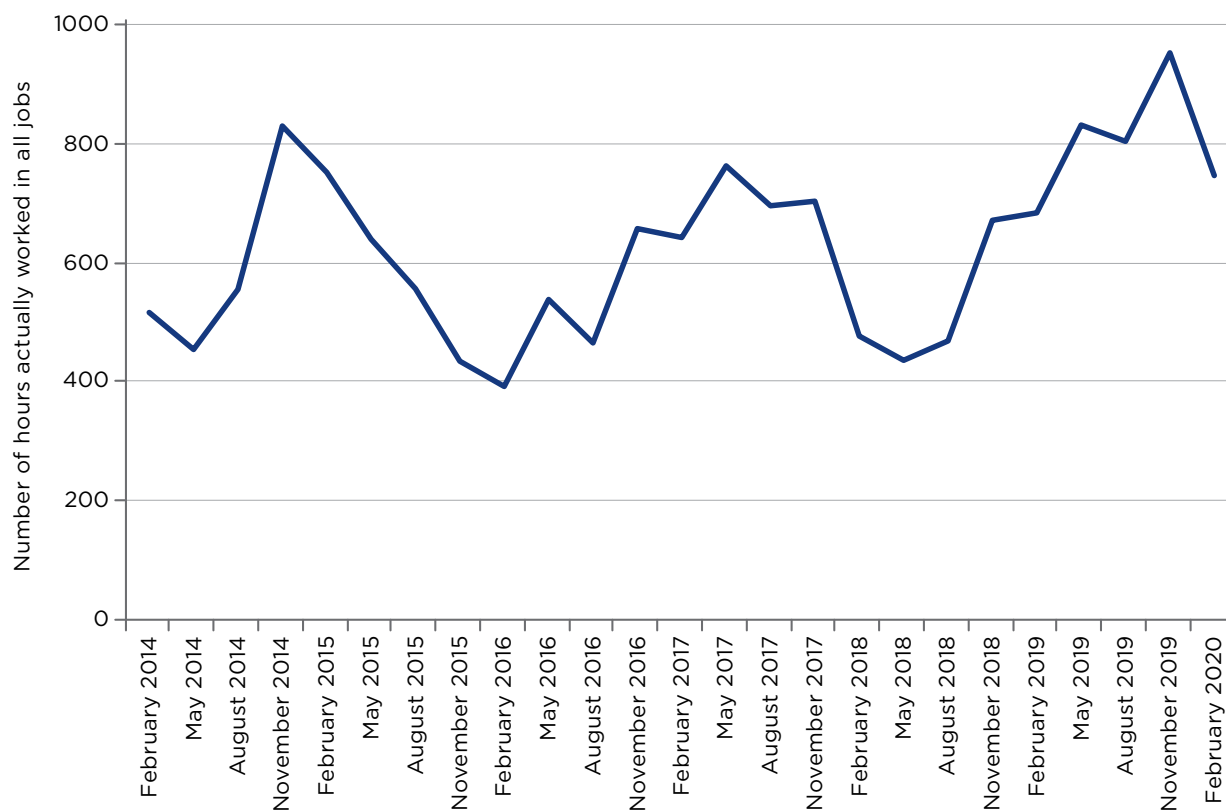
The increased numbers of booking service providers are offering customers greater choice and new service types. These include new entrants from the community transport sector, a number of which provide services to the general public under social enterprise models outside their government-funded community service contracts.

The number of WATs operating in Sydney has increased from 675 in November 2017 to 811 as at May 2020. At the same time, the number outside Sydney increased from 262 to 296 (Point to Point Transport Commission May 2020). New service models such as Uber Assist are available for customers with disabilities who need to travel from A to B (Uber submission, p 28).

At 1 July 2015 there were 31,694 taxi and hire car drivers who were authorised by the former regulator ([Taskforce 2015a, p 52](#))<sup>46</sup>. At May 2020 the number of drivers eligible to work in the sector (i.e. drivers with a PT licence code<sup>47</sup>) had increased to 123,348, a dramatic lift in the sector's potential driver population (Roads and Maritime Services 2020). However, it is noted that not all of these drivers will necessarily be actively participating in the industry.

To get a better sense of driver employment opportunity, the review considered ABS data on monthly hours worked by 'automobile drivers'. This category largely includes drivers in the point to point transport industry.

**Figure 12. Actual driver hours worked in all jobs by 'automobile drivers' in NSW**



Source: Australian Bureau of Statistics (2020), Labour Force, Australia, Detailed, Quarterly, Feb 2020, Cat. No. 6291.0.55.003

As shown in [Figure 12](#), reported monthly driver hours for all 'automobile drivers' in NSW ([ABS 2020](#))<sup>48</sup> have been quite erratic over the period from early 2014 to early 2020 and no readily discernible seasonal pattern is evident. There is some suggestion of an increasing trend in the total hours worked in the sector over the period with a peak of around 954,000 driver hours in November 2019 compared with an earlier peak of around 831,000 driver hours in November 2014 and the dip in May 2018 not as low as the dip around February 2016. This is certainly not conclusive but may be suggestive of expanded driver opportunity since the 2015 reforms.

While there is evidence of increased competition and more service options for customers in Sydney, outside Sydney the distribution of new service providers is variable. Rideshare is operating in larger regional centres, and there is also some evidence of community transport providers diversifying their offerings and taxi operators expanding their hire car service. However some smaller regional areas have so far experienced limited or no competition from new point to point transport providers as a result of the reforms.

## 6.5 Possible future developments

As the NSW Government observed in *Future Transport 2056*, 'the advent of ridesharing services, the introduction of on-demand services, and the widespread use of technology have demonstrated how quickly innovation can reshape transport' ([p 8](#))<sup>49</sup>.

Notwithstanding, rideshare is forecast to grow at a slower rate than the past five years. In 2019, IBISWorld forecast that national rideshare industry revenue would 'continue to rise at an annualised 15.0 per cent over the five years through to 2020-25' ([IBISWorld 2019, p 12](#))<sup>50</sup>. In contrast, nationally taxi and limousine industry revenue was forecast to rise very marginally at an annualised 0.3 per cent over the five years through 2025. While rideshare was forecast to provide significant pressure on taxi operators over the next five years, 'ongoing demand for higher margin services, such as private hire and wedding cars, is projected to support industry revenue growth over the next five years'. ([IBISWorld 2020, p 13](#))<sup>51</sup>

Yet, the unforeseen coronavirus pandemic and bushfire crisis have had an immediate, devastating impact on the industry and local communities. The review acknowledges it is difficult to assess how long the impacts on industry will be experienced, the length of the recovery and what the future market will look like.

Nevertheless, there is an immediate opportunity for point to point transport services to complement a depleted public transport capacity in metropolitan areas, and hopefully domestic visitation will soon lift regional economies.

Survey findings on customer preferences provide some insights into what may lead to further changes in the market and shape potential growth opportunities:

- Pricing is likely to be a strong factor in keeping and attracting customers:

*'In all areas by far the single most commonly identified change which may prompt greater usage was if fares get cheaper, and this is an especially dominant and singular factor for taxis. For rideshare services **surge** or **peak pricing** is also identified as a barrier in Sydney and Other Urban areas'.* ([Orima Research 2019, p 35](#))<sup>52</sup>

- Employer practices and corporate usage of services is developing:

As at November 2019, taxi services were reported to still be the dominant form of transport paid for by employers, although some employers are starting to cover the cost of rideshare services for work purposes ([Orima Research 2019, p 47](#))<sup>53</sup>. The review also heard from some Sydney business representatives that more employers are funding rideshare trips and that this trend is likely to continue.

- App-based booking systems are growing in appeal:

In addition to the use of rideshare booking apps, the biggest change in customer behaviour in recent years has been the increase in taxis obtained via an app ([Orima Research 2019, p 60](#))<sup>54</sup>. Most notably, this research shows ‘there is little perceived distinction between rank and hail taxi waiting time and ASAP booking waiting times’ ([p 45](#))<sup>55</sup>. The historically held belief about the convenience and immediacy of rank and hail is weakening and technological advances will probably further influence customer choice of services.

The Sydney point to point transport market is already responding to these challenges, as to a lesser extent are urbanised areas in regional NSW. Country service providers can expect markedly different business conditions and greater competition for their services in the very near future.

Whatever the future developments, as the NSW Government’s strategy identifies,

*‘Emerging technologies will continue to evolve and to change customer trends in ways that are difficult to predict. With technology becoming integral in transport planning, we need to be nimble, and plan for a wider range of options’.*

([Future Transport 2056, p 55](#))<sup>56</sup>



## 7 Structural adjustments

### 7.1 Supply

A key objective of the Taskforce was to ‘make it easier for all point to point transport providers to compete on a level playing field’ ([p 85](#))<sup>57</sup>. In many respects the reforms implemented so far have achieved that aim.

However, while the Taskforce recommended changes to the way supply is managed which were mostly accepted, both the Taskforce report and the subsequent reforms reflected a view that it remained necessary and appropriate for the NSW Government to regulate the numbers of taxis able to offer rank and hail services, while deregulating the supply of booked services.

The Taskforce also recommended the removal of area-based restrictions on booked services and new country taxi licences, as well as a review of existing operating area restrictions on taxi services. The NSW Government accepted this in principle but while boundary restrictions on booked services have been lifted, the conditions which limit taxi licences to defined operating areas have not been removed to date.

This section of the report considers the arguments for and against regulating supply, and examines available evidence about recent changes in the point to point transport market, including the differences between Sydney and regional markets. It concludes that the time has come to liberalise the supply of taxi licences and to end operating area restrictions. This will remove remaining costs and restrictions on the supply of taxis, other than ensuring safety standards, including those appropriate to the anonymous nature of rank and hail services. Importantly, this will enable taxis to better compete with other services for the expanding point to point transport market.

Taxi service providers will have more choice about how they do that – either by putting on more taxis, expanding their fleets to include hire vehicles, specialising in rank and hail services only, or providing other niche services. Outside Sydney, where taxis mostly provide booked services already, they will be able to extend the scope of the area in which they offer services. Customers will benefit from increased choice.

### Recommendations

The review recommends that:

1. Taxi licence supply restrictions be removed and new arrangements introduced to provide for renewable non-transferable taxi licences to be issued on request for an administrative fee, for operation anywhere in NSW.
2. Each taxi licence be aligned with a taxi vehicle (or taxi plate), with such vehicles meeting all the external signage and safety requirements for the provision of rank and hail services, including the requirements to be identified as a taxi and to ensure necessary safety measures in the context of the anonymity of rank and hail services.
3. Area restrictions on regional taxi licences be removed immediately to permit them to operate rank and hail services anywhere in NSW outside metropolitan Sydney. Remove remaining area restrictions when licence supply restrictions are removed.

## Reforms to date

Technological and service innovations of recent years have presented a major challenge to traditional taxi markets all over the world. Jurisdictions have responded in a variety of ways. Some have continued to protect taxi industry incumbents by treating newcomers as illegal or severely curtailing their operation; others have permitted the legal operation of all who wish to offer point to point passenger transport services.

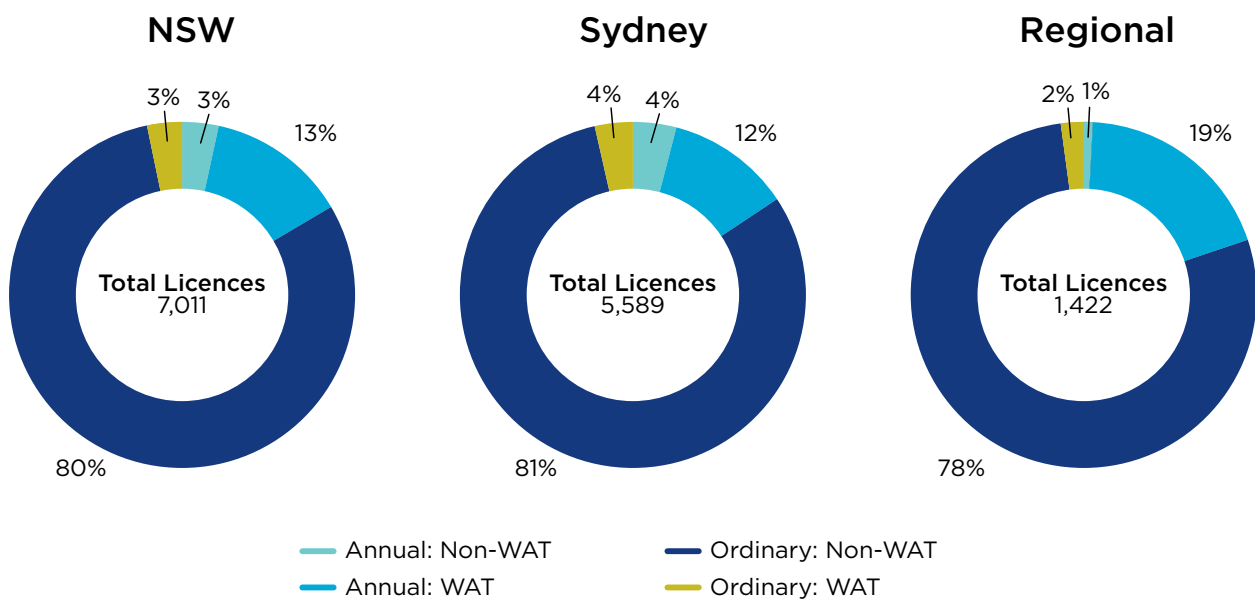
Even where rideshare has been legalised, different approaches have been taken to dealing with the impact on the traditional taxi industry, in particular the question of whether and how the supply of taxis should be regulated.

As described earlier, within Australia, Victoria and Western Australia have gone furthest in attempting to level the playing field between taxis and other point to point transport services. In these jurisdictions, virtually the only thing that differentiates a taxi from a hire vehicle is the taxi's right to offer rank and hail services which, being anonymous, attracts additional safety and security features. Ordinary taxi licences were abolished in these states, new licences are available on demand for a nominal fee, and there are no caps on numbers. (However, rank and hail fare regulation has mostly been maintained – see further at [Section 5.3](#))

By contrast, NSW legalised commercial rideshare in December 2015 immediately after the release of the Taskforce report, and the P2P Act largely opened up the booked services market, imposing no caps on the number of hire vehicles. However, NSW has not deregulated the taxi sector to anything like the same extent. In making this point, it is important to acknowledge taxis also offer booked services and are free to take advantage of the opportunities created by deregulation in that sector of the market.

The Taskforce recognised the constraints on the taxi market created by the deadweight of overvalued ordinary taxi licences. It recommended they be converted to transferable annual licences renewable up to nine times. The NSW Government was concerned to preserve the rights of licence owners and therefore did not accept this recommendation. These ordinary licences continue to exist. Although no more can be issued they continue to form the vast bulk of current NSW taxi licences, as indicated by [Figure 13](#).

**Figure 13. Numbers and proportions of ordinary (WAT and conventional) and annual (WAT and conventional) licences in NSW, Sydney and outside Sydney**



Source: data provided by Point to Point Transport Commissioner to TfNSW, February 2020 (as at 17 January 2020)

NOTE: While no annual licences (other than WATs) have been issued in regional NSW, six short-term licences still operating outside Sydney are counted as 'annual' for the purposes of this graphic.

However, the Taskforce maintained the view that government should continue to control supply of taxis through annual determinations of the number of renewable licences to be available through public tender, observing:

*'The rank & hail market relies on the virtual ubiquity of supply – if customers cannot step outside a restaurant or office and immediately hail a cab, or walk to a nearby rank and find a taxi, they will be inclined to book, particularly with the flexibility of new apps and ridesharing systems.*

*The need for virtual ubiquity implies that there is a tipping point – if the number of available taxis falls below a certain threshold, the market will collapse, and passengers will turn to booking their transport. ...*

*The challenge lies in maintaining virtual ubiquity in a market that is characterised by significant peaks and troughs – there will be plenty of taxis at certain times of the day, and not enough in peak periods.'* [\(p 89\)](#)<sup>58</sup>

While insufficient taxis would undermine the rank and hail market, the Taskforce also cautioned against an oversupply of taxis. It contended that control of licence numbers is thus a delicate balance between ensuring a good supply of taxis with not so many as to make it unviable to drive around empty in the hope of attracting a hail. In this sense, restricting supply is regarded as a way of guaranteeing supply. The Taskforce therefore urged a careful approach to increasing taxi supply while the reforms settled. This was exactly what occurred, with the government responding:

*No new taxi licences, other than wheelchair accessible taxi (WAT) licences, will be issued in Sydney over four years in transition. Replacement licences may be issued.* [\(NSW Government 2015\)](#)<sup>59</sup>

New taxi licences are issued through a two-step process of, first, determination of numbers by TfNSW (which may be informed by recommendations from IPART), and, second, the issue of licences after a public tender conducted by the Point to Point Transport Commissioner. This process has been in place for Sydney licences since 2009; the post-2015 reforms expanded it to the whole state. The factors to be taken into account by TfNSW in making its determination (and by IPART if it is asked for a recommendation) are overwhelmingly focused on the needs of the taxi industry itself, rather than taking sufficient account of the market for point to point transport services generally [\(see P2P Act, s 73\)](#)<sup>60</sup>.

A counter view to that of the Taskforce is that lifting limits on numbers would likely increase ubiquity. If potential operators perceive a demand, they can enter the market and compete to answer that demand. In Victoria, following the end of mandated limits on the numbers of taxi licences, there has been a surge in taxi numbers.

It is noteworthy that the Taskforce views about ubiquity and control of supply were all framed in the context of high density markets: 'A rank and hail market only works where there is sufficient density of pedestrian traffic and where customers need to travel distances that are too far to walk' [\(p 89\)](#)<sup>61</sup>. Ongoing improvements in instant booking services can go some way to answering this concern in areas of higher population density. On the other hand, rank and hail service has always comprised a lower proportion of taxi services provided in regional areas. Booked services are dominant and while trips are taken from ranks, hailing a taxi is almost non-existent in many places (see [Section 6.3](#)). The problem of anonymity of rank and hail is also less relevant in the country, where taxi operators are well-known in their communities. Nevertheless, the process adopted for determining taxi numbers applies equally across the state.

## Other views on capping taxi licence supply

In its 1999 review of Regulation of the Taxi Industry, the Productivity Commission said that it had been 'unable to identify benefits to the community that justify restrictions on taxi numbers' (p ix)<sup>62</sup>. While it did not refer to the concept of 'virtual ubiquity', the Commission did note the proposition that entry restrictions allow taxis to earn higher revenue by being engaged for a greater proportion of time. However, this represents a cost to consumers in the form of longer queues for taxis. At peak times and at high demand areas like airports, these costs can be high (p 15)<sup>63</sup>. Additionally, such restrictions stifle innovation. The Productivity Commission concluded:

*'The Commission does not consider entry restrictions are needed to constrain fare increases, to underwrite the safety of taxi users or to promote other aspects associated with the efficient provision of taxi services. In the Commission's view, the removal of entry regulations would offer large benefits to the community.'*

*'In the absence of entry restrictions, there would be a larger number of taxis. In this more competitive environment, fares are more likely to fall than to rise'. (p ix)<sup>64</sup>*

IPART has frequently considered the question of taxi supply in NSW. In 1999, in the context of conducting the Competition Principles review, IPART expressed views similar to those of the Productivity Commission: 'restricting the number of taxi and hire car licences does not appear to generate any significant benefits for passengers, drivers, or anyone working in the industries other than the licence owners' (IPART 1999, Foreword)<sup>65</sup>. In the context of the NSW situation at the time, however, IPART did not favour complete deregulation of supply, rather a 'phased approach to increasing the number of taxi licences in Sydney over the next five years' followed by a review which would include assessment of the rate of issuing new licences.

The annual licence determination process was established for Sydney in 2009. Since then, IPART has regularly been asked to make recommendations about the supply of taxi licences.

By 2015, in its last review before the Taskforce was established, IPART observed the increasing use of hire cars, car-sharing services and commercial ridesharing (still illegal at that time) and concluded:

*'Competition is changing the industry and driving down taxi licence lease costs faster than any changes made in terms of additional licences and subdued fare increases over the past two years. The intensifying competition means the market is delivering cheaper and more reliable point-to-point transport in response to consumer demand'. (IPART 2015a, p 3)<sup>66</sup>*

This suggests the futility of expecting to 'protect' or maintain the viability of the taxi industry through supply regulation. Increasing competition in the market will drive change, and if the taxi industry is unduly constrained, it will not be able to respond to this competition. In light of these challenges, IPART recommended there be a thoroughgoing review of the regulation of all point to point services (p 4)<sup>67</sup>.

The first, and to date only, formal review by IPART under the post-2015 reforms was published in March 2018. For the first time, IPART was asked to make recommendations about taxi numbers in the country. IPART was not asked for recommendations about how many licences to issue in Sydney because, at that time, the government policy, adopted in response to the Taskforce report, of only releasing replacement licences in the metropolitan area for four years was still in effect.

IPART began by observing:

*'In our view, the most effective way to encourage the efficient supply of taxi services, improve services for customers and enhance the sustainability and viability of the taxi industry is through competition'. (IPART 2018, p 1)<sup>68</sup>*

*'The market has fundamentally changed and restricting taxi licence numbers and retaining prescriptive controls on rank and hail fares will hinder rather than help the taxi industry'. (p 2)<sup>69</sup>*

While IPART had been concerned that continued high values of licences in some operating areas were indicative of poor competition, in that barriers to entry remained high, evidence it received from country operators during its consultations was that:

*'The taxi industry is experiencing tougher business conditions due to increased competition from the growth of alternative point to point transport operators such as community transport, courtesy transport (and rideshare in larger areas). Such competition appears to have increased more quickly than our finding in the Draft Report suggested, and we consider that continuing to restrict the supply of taxi licences limits the ability of taxis to respond to this competition'. (p 4)<sup>70</sup>*

*'In light of this finding, IPART's recommendation for areas outside Sydney was, after a brief period of transition: To facilitate improved services for customers and to enable the taxi industry to compete more effectively with other forms of point to point transport, the supply of taxi licences should be deregulated. This would allow taxi service providers to operate more flexibly in response to changing demand and lower their licence lease costs, and encourage more people to catch taxis through more competitive pricing, increased availability and lower waiting times'. (p 3)<sup>71</sup>*

IPART recommended that fares in these areas should also be deregulated at the same time as supply, for similar reasons.

While IPART was not requested to make recommendations about Sydney licence numbers, the urban fare schedule was within its terms of reference. IPART held that competition in these markets was not yet sufficient to justify the end of maximum fare regulation, finding:

*'taxi service providers and licence holders could have the ability to raise prices above efficient costs, and/or reduce supply or service quality in these areas, compared to outcomes in a workably efficient market. This is due to the:*

- high value of taxi licences in these areas (such as around \$170,000 in Sydney and over \$250,000 on the Central Coast)*
- freeze on issuing new annual licences for growth in Sydney which restricts competition for rank and hail services, and*
- high proportion of rank and hail trips in the Urban Fare Area'. (p 6)<sup>72</sup>*

Essentially, evidence of impact on returns to the traditional taxi industry is evidence of increasing competition, in that a variety of services is available to meet the needs of consumers and more consumers are choosing those alternative services. Existing constraints designed to protect consumers from low quality, unsafe and overpriced services in a closed market merely operate as constraints on these traditional operators when faced with the challenge of competing for business in a more open market.

## **Impact of reforms – the point to point transport sector today**

Almost five years have passed since the NSW Government accepted the Taskforce's approach to determining how many taxis should be permitted to offer rank and hail services. Annual determinations since that time have continued this approach, conscious of the need to give the taxi industry 'time to adjust' to the entry of new service providers. Only replacement licences have been issued in Sydney, and none outside of Sydney. Due to the impact of the coronavirus pandemic in its most recent determination, TfNSW decided that no taxi licences would be issued in 2020-21.

The following table shows all licences issued since the annual determination process was introduced in 2009, including the 31 March 2020 determination.

**Table 3. Licences issued in NSW from 2009**

Period	Growth	Replacement	Total
2010 Interim Release	100	0	100
2010-11	167	149	316
2011-12	197	30	227
2012-13	0	57	57
2013-14	250	96	346
2014-15	95	217	312
2015-16	0	112	112
<b>Total Released Prior to Taskforce</b>	<b>809</b>	<b>661</b>	<b>1470</b>
2016-17	0	0	0
2017-18	0	62	62
2018-19	0	90	90
2019-20	0	78	78
<b>Total Released Post Taskforce</b>	<b>0</b>	<b>230</b>	<b>230</b>
<b>Total Released 2010-2019</b>	<b>809</b>	<b>891</b>	<b>1700</b>

Source: data provided by TfNSW

When making determinations, TfNSW invites submissions from industry representatives. TfNSW has advised the review that submissions over the four years since the Taskforce reflected a tension in views across the taxi sector about what taxi industry sustainability means, and what approach to numbers would best serve the industry. Larger networks argued that more licences should be made available so that they can better respond to customer demand and compete with newer market entrants.

By contrast, as recently as February 2020, those representing licence owners (who are mostly passive investors rather than active participants, at least in the city) had consistently argued against increasing licence numbers, quoting plummeting licence values and decreasing returns in the form of lower lease fees. The views of other operators have been mixed and some have changed their positions over time.

It is now two years since IPART last reviewed competition in the point to point transport industry in NSW. Its findings and recommendations for deregulation in the country because of increased competition would likely be largely unchanged. However, developments in the Sydney and other urban markets may challenge IPART's 2018 findings about insufficient competition in those areas.

Under the P2P Act, the booking service provider must be authorised, and have a safety management system which ensures vehicles are safe and drivers are fit to drive. But there are no limits on the number of vehicles or drivers, and while they must comply with the authorisation and safety requirements, barriers to entry are low. Supply can easily adjust to meet fluctuations in demand.

By contrast, taxi operators remain hamstrung by the high cost and indeed inability to grow fleets to respond to demand.

A taxi operator has to purchase or lease an ordinary licence, or be a successful bidder for one of the annually determined number of licences. These licences are renewable up to nine times, but this means being locked in to paying an annual fee equivalent to the successful bid. If looking to decrease costs, an operator can take their chance by bidding lower in a future round of licence releases, and relinquish the old licence. As noted, in the past five years, the only licences so determined have been

replacement licences, so there has been effectively no growth in the number of taxis at all. In addition to obtaining and servicing a licence, a taxi service operator also has to fund additional security and safety requirements for rank and hail services.

As Manly Warringah Cabs observed:

*'There is no limit on the number of vehicles that rideshare companies can make available for hire at any given time. By contrast the taxi industry is inherently constrained by limits on the number of taxis.'* (p2)

13cabs submitted:

*'It is simply inequitable to have rideshare having an unrestricted ability to add vehicles to their fleet as they see fit while taxi companies, who for all intents and purposes provide the same service, are not able to respond to changes in the market and grow their business. New South Wales has obvious pockets of growth right across the State and with this comes increased demand for personalised transport.'* (page not numbered)

There is evidence to suggest that these higher entry costs are indeed affecting taxi competitiveness and ability to offer services to meet demand. The well-intentioned decision to give the taxi industry breathing room to adjust by limiting increase in supply may have had the perverse consequence of making the industry less able to compete in the growing and diversifying market for point to point transport services. There is one market for point to point transport services, rank and hail is just one mode of service delivery. Constraints on supply of rank and hail services depress the capacity of this mode to contribute to the market.

Limits on total numbers, together with the ability to transfer licences, also lead to inflated licence values. The licence owner can earn an income from this scarce resource by leasing it to an operator, at a price associated with the value of the licence.

The fare paid by customers has to cover both the economic rent associated with the licence and the other costs of providing taxi services, including remuneration to drivers and operators, network fees, and the expenses of maintaining and insuring the vehicle. There is further discussion of this impact in [Section 7.2](#) on deregulation of fares.

In Sydney at least, the overall market for point to point transport has grown. Not surprisingly, rideshare with its ability to attract more cars and drivers onto the road at minimal cost, has over time been able to take on more and more of this growing market. Taxis remain constrained by caps on licence numbers, and the public's appetite for rank and hail services seems to have been undermined by the ease and increasing speediness of booked services, so not only is taxi market share diminishing, there are indications that the absolute number of trips being taken is also in decline (as discussed in [Section 6.3](#)).

## What the review heard

What to do about taxi licences was unsurprisingly a major topic of concern for many participants in the review.

Licence owners focused mainly on demands for further payment from the government in relation to the loss of licence value. This is dealt with in [Section 8](#).

However, many participants in the consultations, including licence owners and operators, also had views about how supply of taxi licences should be managed in future. Manly Warringah Cabs put a variation of the virtual ubiquity argument:

*'Drivers cannot afford to bail taxis during the quiet periods if they are not constantly working through the busy periods – that ongoing cross-subsidisation is essential to the taxi industry's viability as a service to the public that is available 24 hours a day, every day of the year. ... The current system is also marred by the steep reduction in number of taxi plates working which sometimes generates slightly longer wait times now than in past years, for those wishing to use taxi services.'* (p 2, 3)



However, many of those who have previously argued for both the continuation of the cap on taxi licence numbers and for no additional licences to be released now recognise the potential that could be opened up by releasing the economic rent inherent in the scarcity value of taxi licences. The Taxi Council argued 'the traditional lease fee paid to Taxi Licence owners needs to be redirected back into the frontline of the industry', where it could be reinvested 'to innovate in technologies to improve passenger connection and fleet utilisation' and also 'allow for a more competitive pricing environment benefiting the customer' (p 51, 52).

Given the competition, the Taxi Council submitted that either the numbers of both taxis and rideshare should be capped, or neither should be capped (p 45), and in the Taxi Council's view, there should be an end to taxi licence caps in Sydney (but not outside Sydney, discussed further below) (p 47).

Legion Cabs regretted that the NSW Government had not adopted the Taskforce recommendation of converting all ordinary licences into annual licences and urged that this be done now (with a buy-back of ordinary licences), saying 'removing the plate owner from the industry will free up resources and money in the industry and allow it to flourish again' (page not numbered).

13cabs focused on the increased market competition as undermining the arguments for ongoing government intervention:

*'It is in this context that government must reconsider the necessity and desirability of the current prescriptive licensing regulation. There will always be a role for government to provide basic consumer protections around the suitability of drivers and vehicles operating commercially, but it is questionable what market failures persist which require government intervention beyond this.'*  
(page not numbered)

While easing of direct government control of the number of licences was supported by many, there was also a view that numbers could be controlled indirectly through pricing restrictions. These submissions recognised the loss of value to date and focused on the remaining perceived value of a taxi licence in so far as it provides exclusive access to the rank and hail market. Thus the majority of submissions by individual taxi licence owners argued that after a 'buy-back' of ordinary licences, government should conduct a 'lease back' to the industry, with the price of the lease reflecting the value of the rank and hail market.

A variation on this proposal came from 13cabs:

*'13cabs recognises the need to protect those who bought licenses in the past in good faith. 13cabs proposes that new point to point licenses (regardless of what their conditions of operation are) be released into the market for an annual rental fee equivalent to the average existing licence lease price plus 10%. Making the increase a percentage rather than a fixed rate will allow government to allow different licence lease process across Taxi Service Areas (areas of operation).'*  
(page not numbered)

The Taxi Council's approach to this was that after the buy back, both taxis and rideshare providers should have to obtain a licence/permit to operate:

*'While the cost should not be at current lease rates, it should be reflecting some value for the rank and hail and booked markets. The fee should be large enough that ensures the person seeking the licence/permit is going to make a commitment to the industry and adhere to the regulatory requirements to operate.'* (p 43)

There were also suggestions that the number of rideshare vehicles should be limited, particularly in Sydney. Legion Cabs said: 'restricting the number of Rideshare vehicles on the roads will relieve congestion on Sydney's already choked roads and allow a more competitive industry to emerge' (page not numbered).

## Issues outside Sydney

Interestingly, while the Taxi Council submission supported the removal of the cap on taxi licences in Sydney, thereby 'creating a robust and competitive rank and hail service offering, especially in the Metropolitan area' (p 53), it recommended a continuation of the cap outside Sydney (p 47). It emphasised the precarious position of many country taxi operators in the face of competition from alternative service providers, but did not explain how a cap on taxi licences would assist them to survive and thrive.

This draws attention to the different characteristics of the point to point transport markets in different parts of the state. Evidence from submissions suggests that outside Sydney, the reforms of 2015 have had varying impact.

Across the state, the post-2015 reforms deregulated booked aspects of service delivery, freeing existing taxis to institute new ways of charging for booked fares and allowing expansion of fleets by the addition of cheaper hire vehicles.

As it is difficult to obtain exact figures, regional stakeholders were asked in consultations what percentage of their business was booked versus rank and hail. In many places, including both smaller towns like Leeton and Temora as well as regional centres like Wagga Wagga and Griffith, participants in consultation sessions indicated that up to 80 or 90 per cent of their business is booked. Slightly more rank and hail work still exists in regional cities like Orange, Bathurst and Coffs Harbour, where about 70 per cent of work was reportedly booked. The relevance of rank and hail exclusivity as a source of value in many of these areas would be low.

While the post 2015 reforms enabled the expansion of rideshare, to date rideshare has only had a meaningful impact in the larger regional centres, such as Bathurst, Coffs Harbour, Orange, Port Macquarie, Tamworth and Wagga Wagga. Uber announced in November 2019 that it was expanding services along all NSW coastal regions ([Uber 2019](#))<sup>73</sup> and on 11 June 2020, it announced it would be expanding across regional NSW by the end of the month ([Uber 2020](#))<sup>74</sup>.

As was emphasised by participants in the consultations, most of the competition in regional point to point transport has been there since before the Taskforce and the subsequent reforms, in the form of community transport, courtesy buses, and other local services. Some of these are booked service providers within the meaning of the P2P Act, others whose fleets comprise larger vehicles are covered by the passenger transport laws, while others, being free of charge or provided in the course of providing other services, are not regulated by passenger service laws at all. Vehicle and driver laws, including registration, licensing and insurance, and workplace health and safety laws, of course, apply to all transport activities.

Some taxi industry participants were of the view many of these alternative providers are unfairly subsidised or supported by the government, or under-regulated, to the detriment of the local taxi service provider. On the other hand, the review heard that many of these other providers contract out some jobs to the local taxi industry, so they can be a provider of work not just a competitor (see further in [Section 9](#)).

Variable demographic, economic and social indicators in different parts of regional NSW also impact on the demand for point to point transport services. In many areas, population growth is in decline, and populations are ageing ([See Figure 23](#), Section 9). The drought has had a major impact on many rural and regional economies. In larger regional centres, by contrast, population has increased, yet the available number of taxis has not increased in many years. 13cabs observed that the population in Newcastle has grown by over 23 per cent since 2000, but no licences have been released there since 2007.

While taxi industry participants outside Sydney (who are mostly owner/operators rather than passive investors) have, like their Sydney counterparts, been supportive of continued restrictions on taxi licence numbers because it is perceived as a way of preserving their exclusivity, it is not clear that their fear of an influx of new taxi providers is well-founded.

It is notable that a number of country taxi operators who participated in consultations thought there was a need for 'new blood' in the industry. These participants recognised that newer and younger operators, free of the burden of buying or servicing taxi plates with scarcity value, would be more willing to experiment with new service delivery models.

This review acknowledges the important role played by taxi service providers in many local communities. By virtue of the smaller markets in which they operate, they have managed to build high levels of awareness and recognition of their business. Many hold a strong brand position in their local market.

This could provide a strong base from which to expand their business if they wish, or in order to compete against new entrants in a freer market. While the opportunity to expand booked services is already open to all, caps on licence numbers mean the opportunity to expand taxi services is simply not available at present.

### **Taxi supply should be deregulated**

The evidence available in relation to a growing and more competitive point to point market, decreasing taxi market share, customer perceptions and choice of services, the views expressed in consultations and submissions, and the experience in other jurisdictions all indicate that the previous round of reform has not enabled taxis to compete effectively with rideshare.

A well-meaning intention to provide 'breathing space' for taxis has proved ineffective in the face of increasing consumer demand and changes in consumer preferences for point to point transport services, in particular for technology-driven services that can be easily and conveniently accessed and paid for through smartphones and apps.

Rank and hail share, already low in the country, is also decreasing in Sydney as customers move to ASAP bookings with minimal waiting time. In deciding to deregulate booked service supply, the Taskforce had confidently observed that rank and hail, the part of the point to point transport market that would remain exclusively available to taxis, still made up 60 per cent of total taxi journeys in Sydney ([Taskforce p 87](#))<sup>75</sup>. [Section 6](#) describes available data about the prevalence of rank and hail in recent times, with the results of a Taxi Council survey suggesting a significant decline. However, rank and hail as a means for obtaining a taxi remains reasonably popular in Sydney, with over 50 per cent of respondents to the Orima survey reporting they used rank or hail to obtain their most recent taxi ride (also at [Section 6](#)).

As the Taskforce observed, opening up the supply of booked services means that taxi operators can as readily as anyone else diversify and expand their service offering by adding hire vehicles to their fleet to take advantage of new market opportunities, and adjust their fare schedules to compete (fares are discussed in [Section 7.2](#)). However, their opportunity to expand rank and hail services, should they perceive a demand for them, remains restricted.

Removing the scarcity value of ordinary licences, and replacing them with licences available on demand, would remove the cost pressure of servicing the lease cost of the licence. Operators could afford to have extra capacity or redundancy built into their fleet to better respond to fluctuations in demand.

These changes would facilitate competition not only in the broad market for point to point transport, but also within the taxi sector itself which is currently dominated by one major player along with a small number of larger ones. Smaller or newer operators would have the opportunity to consider the optimum configuration of their fleets.

In light of the above considerations, this review concludes that it is not necessary to retain any restrictions on access to taxi licences for those who wish to provide taxi services, that is, rank and hail services. Neither numbers nor prices should prevent market entry (or exit).

The review recommends that in future:

- Taxi licences should be issued on request for an administrative fee – lifting restrictions on supply, removing barriers, allowing new taxi entrants and lifting competition
- The purpose of the licence will be to permit a vehicle to be used to provide rank and hail services, and the holder of the licence will be responsible for the vehicle providing taxi services, notwithstanding that the vehicle can also provide booked services
- The holder of the licence can be a driver, or a taxi service provider (or an affiliate of a taxi service provider often referred to in the industry as an operator), and a taxi service provider can also be a booking service provider
- Each licence will be aligned with a taxi vehicle (or taxi plate), with such vehicles meeting all the external signage and safety requirements for the provision of rank and hail services, including the requirements to be identified as a taxi and to ensure necessary safety measures in the context of the anonymity of rank and hail services.

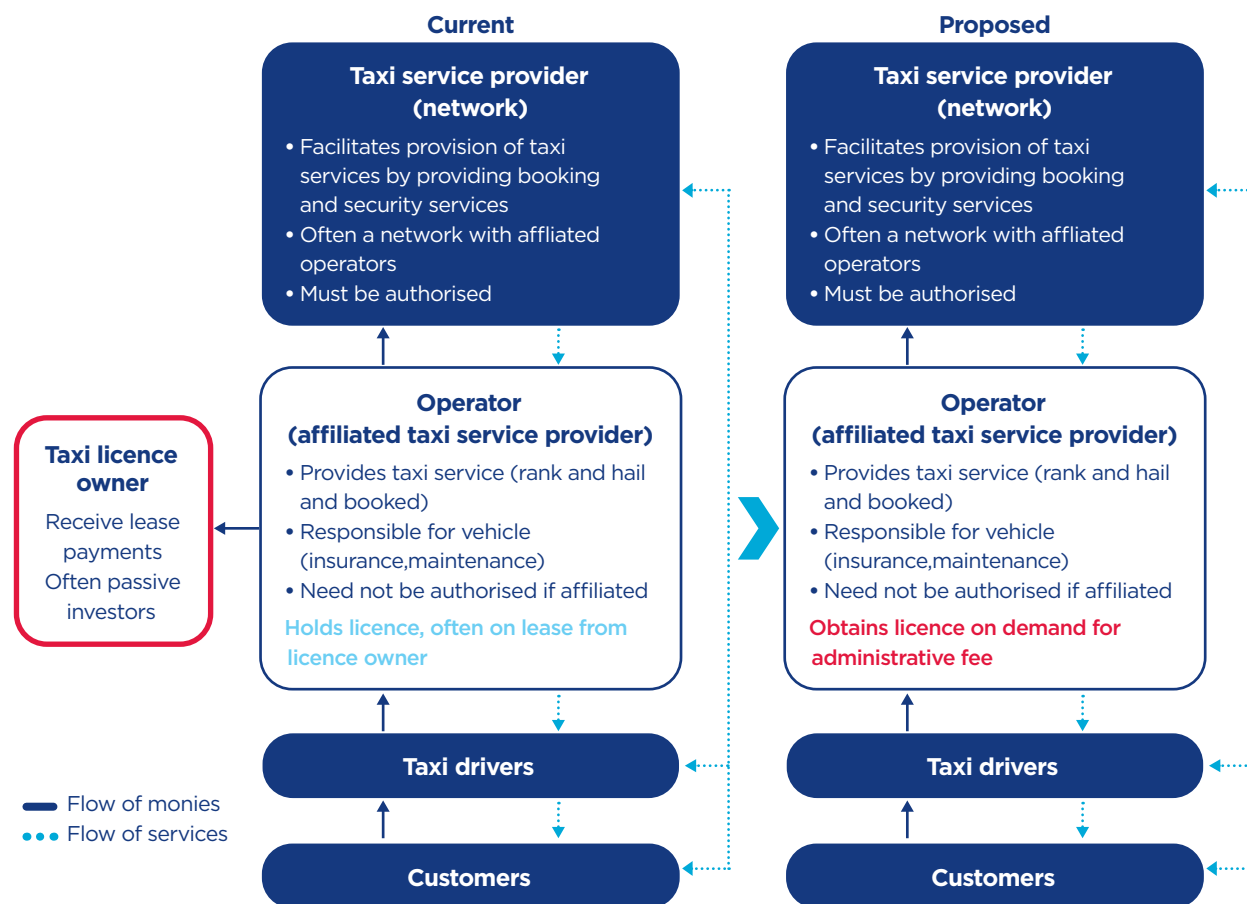
This approach will remove investor licence owners and the leasing and sub-leasing of costly taxi licences from the framework. It will support the monitoring of the number of taxis in the industry and the provision of rank and hail services in the market over the next few years. Depending on how the industry develops, further changes to the 'licence' concept may be needed over time as new and emerging technologies shape service provision models.

[Figure 14](#) presents a simplified diagram of the typical industry structure in Sydney. It demonstrates that while the structural impact of the recommendation to make licences available on demand is minimal, the impact on financial flows is profound. The one difference is the removal of the licence owner from the structure, and the related removal of lease fees to them.

It should be noted that the P2P Act provides that anyone who facilitates the provision of taxi services or directly provides taxi services is a 'taxi service provider' and must obtain authorisation. A service provider who chooses to affiliate with an authorised service provider is not required to obtain their own authorisation. In practice, many operators do choose to obtain authorisation for their own business and manage their own booking system and security measures, and so are not affiliated with a network. Networks also may lease taxi licences, and sub-lease them to affiliated operators.

A taxi driver who has their own vehicle may also choose to run their own business and not work for an operator or affiliate with a network. In the future, each of these participants will have more capacity to choose whether to obtain their own licence(s) and how best to organise their service offering, either by becoming an authorised taxi service provider or through relationships and/or affiliations with other participants.

Figure 14. Taxi industry structure



Source: TfNSW

While it is understood that taxis may be taken off the road from time to time for servicing, or for other reasons, the intention is that a taxi licence should be actively used for providing rank and hail services and would not be issued for any other reason.

The proper concern of government in deciding whether and how to regulate a market is a consideration of external costs and the protection of consumer interest. It is not the job of government to protect the business viability of individual market participants. In an open market, individual businesses will come and go. Those who diversify and innovate to meet changing customer demand are more likely to survive. Customers want and need diverse service options, and mandated caps on supply should not block their ability to obtain rank and hail services if that is what they want. If customers do not want rank and hail services, all the protective measures in the world will not help that sector to survive.

To the extent that a government changing the rules should assist those who have been the subject of those rules to adapt to change, suggestions for appropriate assistance are discussed in [Section 8](#).

### Operating area restrictions should be abolished

Most if not all ordinary taxi licences have conditions that specify the area within which they can operate. The operating area may correspond with a transport district, town boundary or LGA. A taxi cannot be used for rank or hail journeys that start outside its operating area. Coupled with the limits on the issue of new licences, operating area restrictions can be seen as controlling the supply of taxi services in the relevant area.

Many hire car licences were also subject to operating area constraints under the previous system. In accordance with the Taskforce recommendations, all operating area restrictions on booked services, whether provided in a hire vehicle or a taxi, were removed. These services are free to provide trips to and from wherever a customer wishes to go.

The Taskforce saw merit in also reforming operating areas for rank and hail service but acknowledged the complexity of doing so 'because the demand for taxi services varies between areas while the number of taxis is constrained' ([p 93-94](#))<sup>76</sup>. It cited submissions it received arguing that the potential for taxi licences to move to more profitable areas would have a deleterious impact on the value of the plates already operating in such areas.

In keeping with its view that the supply of licences should continue to be controlled by the government, the Taskforce therefore made two other recommendations – that renewable taxi licences issued in the regions be able to operate anywhere in the state outside Sydney, and that there be a review of existing conditions on operating areas for rank and hail services. While the government supported this, no review has taken place to date. This is another item of 'unfinished business'.

Few participants in the present review raised issues in relation to operating areas as such. The indications were that most taxi service providers in country areas still observe the area limitations even though the vast majority of their services and those of their competitors, being booked, are not subject to them. They also expressed concerns about competing services being able to move into their areas of operation to 'cherry-pick' in times of high demand (for example, holiday periods or festival times).

Conversely, the operating area restriction may be part of the explanation for the situation described to the review in both consultations and written responses by some country taxi licence owners, that they are unable to find a willing buyer. The attractiveness of the licence is limited, as the licence has no utility outside the relevant location and local economic or social conditions may be driving down demand for taxi services in that area.

As previously described, competition in the country and the fact that rank and hail service are largely irrelevant there, makes it unlikely that anyone would seek to obtain a taxi licence to institute a new rank and hail service in such locations. If, as recommended, restrictions on the supply of rank and hail taxi licences are removed, there is no reason to maintain or include any such restrictions in future licences.

The review recommends that these restrictions be removed immediately in country areas. Allowing rank and hail services to operate anywhere they identify sufficient demand is likely to answer immediate needs in high demand areas, until arrangements can be made for licences to be available on demand, and will make little or no difference to areas of low demand. This should result in better servicing of major events and festivals, particularly in regional areas. Because of the large numbers of people moving to and from event locations, rank and hail is likely to be a useful component of the service offering.

Any remaining area restrictions would be removed when licence supply restrictions are removed and licences are available on demand. That is, a licensed taxi would be free to offer rank and hail services anywhere across NSW.

## 7.2 Fares

The point to point transport regulatory framework distinguishes between booked and rank and hail services. While the fares charged for booked services are deregulated, rank and hail fares continue to be regulated by a maximum fares order.

This section examines developments in the point to point passenger transport market which suggest that there is a high level of competition. In light of this, and in light of the proposed deregulation of caps on taxi supply which will enable taxis to compete more effectively, it is recommended that maximum rank and hail fares no longer be mandated, but other measures be put in place to guide appropriate fare setting by providers and consumer understanding of fare relativities. This will assist consumers to assess the reasonableness of fares charged by various providers and to choose the fare and service that suits them best.



## Recommendations

The review recommends that:

4. Maximum fare regulation for rank and hail taxi services be removed at the same time as taxi licence supply restrictions are removed.
5. Ahead of this, IPART be asked to recommend an indicative fare schedule for country and for Sydney taxis for voluntary use by taxi operators for rank and hail services and for ease of communicating to customers.
6. Taxi service providers be required to
  - develop a fare schedule,
  - provide the schedule (and any subsequent revisions) to the Point to Point Transport Commissioner for publishing on the Commissioner’s website, and
  - advertise the fare schedules and, inside the vehicle, display the fare schedule being applied for rank or hail services and how it compares with the IPART determined indicative fares.
7. The indicative fare schedule be applied as the regulated maximum for rank and hail services from the Sydney Airport (and Western Sydney Airport when operational) and for all TTSS fares.

## Reforms to date

The Taskforce recommended and the NSW Government accepted that while fares for booked services should be deregulated, sufficient consumer risk remained to justify capping of fares for rank and hail journeys.

In relation to booked services, the only requirements are for the service provider to offer an estimate (including any possible variations) and for the estimate to be accepted by the passenger before the journey begins ([P2P Act, s 79](#))<sup>77</sup>.

Rank and hail services, by contrast, cannot charge a fare in excess of the maximum set by the fares order. In the Taskforce’s view, it is necessary to cap rank and hail fares because ‘when obtaining a taxi at a rank or hailing it off the street, a customer does not usually have sufficient time to negotiate the fare before their journey commences or to seek out an alternative service’. The maximum fare is a necessary consumer protection mechanism ([p 67](#))<sup>78</sup>.

The reforms made no material change to the mechanism for setting maximum fares across NSW. The P2P Act empowers, but does not require, TfNSW to determine fares ‘for all or any of the services provided by 1 or more passenger services’ ([s 76](#))<sup>79</sup>. This means that TfNSW has the power to set maximum fares for all kinds of P2P services, booked as well as rank and hail.

The government response to the Taskforce report supported the proposition that booked fares should not be regulated. TfNSW therefore makes fares orders only in relation to rank and hail services.

In making a fares order, TfNSW may be informed by any recommendations made by IPART. In reviewing fares, IPART is directed to take account of a variety of factors including the cost of the service, the need for greater efficiency so as to reduce costs, and the protection of consumers from monopoly power with respect to pricing (amongst other things) ([P2P Act, s 75](#))<sup>80</sup>.

The current fares orders continues the practice of many years of setting separate fare schedules for urban fares (Sydney, Newcastle, Wollongong and the Central Coast), and ‘country’ fares. Maximum fares for both zones have been effectively frozen since 2014, with IPART recommending a freeze in its 2015 (pre-Taskforce) review ([IPART 2015a](#)<sup>81</sup> and [2015b](#)<sup>82</sup>).

The current fares order was made with effect from 1 February 2018. It did not change the maximum fare or the structure of the fare schedules, rather its purpose was to explicitly enable the addition of the flat \$1.10 (including GST) passenger service levy on top of the maximum permissible fare for each journey.

## Other views on regulating rank and hail fares

The strong relationship between entry restrictions that inhibit competition and the need for fare regulation has long been recognised. As the Productivity Commission (1999) observed, fare regulation 'is intended to prevent undue fare increases that could otherwise arise in an environment where competition is constrained by entry restrictions' (p ix)<sup>83</sup>. If competition is not constrained, it would be reasonable to expect that the need for stringent fare regulation would decrease.

The Productivity Commission suggested two alternatives to maximum fare regulation: deregulate fares completely, allowing taxi operators to either negotiate directly with passengers or establish their own distance related rate to use on a fare calculation device; or require taxis to post and advertise their fares, and to notify of any proposed changes (p 18-19)<sup>84</sup>.

Complete deregulation risks exploitation of passengers by the charging of exorbitant fares when taxis are in short supply. A lack of information about appropriate fares and a reluctance to 'haggle' could make this an unpopular option for many passengers. In the Productivity Commission's view, a posted fare regime would address some of these shortcomings, while still providing taxi operators with flexibility to establish their own approach to fares, enabling them to compete against each other by offering different combinations of price and quality of service (p 21)<sup>85</sup>.

The Productivity Commission warned that major airports are a place where the opportunities for fare exploitation are particularly high, with pressure on uninformed customers to make decisions in an environment where the focus is on expeditious loading and unloading. In light of these sorts of issues, the Productivity Commission was prepared to consider the continuation of maximum prescribed fares. But it observed that if entry restrictions were eased, the greater competition would likely result in operators experimenting with a variety of approaches to fares less than the maximum (p 19)<sup>86</sup>.

Given its approach to increasing the supply of taxis in its 1999 Competition Principles Review, it is not surprising that IPART recommended continued fare regulation at that time (IPART 1999, p v)<sup>87</sup>.

In its final report before the Taskforce was established, IPART observed the growing use of alternative point to point transport options in the Sydney market (IPART 2015a)<sup>88</sup>. While the 2009 reforms which introduced a mechanism for increasing taxi supply (the annual licence determination) and ensuring prices were not excessive (the fares determination) were having a positive effect, IPART found the increasing competition from hire cars, car-sharing services and commercial ridesharing (still illegal at the time), was contributing more to the objective of making taxis 'easier and cheaper to catch' (p 18)<sup>89</sup>. In this context IPART reported:

*'our recommendations for a fare freeze and no additional growth in licences for 2015-16 deliver an appropriate balance between better outcomes for passengers, drivers and operators, while still avoiding unreasonable impacts on existing licence holders.'* (p 23)<sup>90</sup>

In a separate 2015 report about fares outside Sydney, IPART found:

*'the cost of a taxi licence is high in many other urban and country areas, indicating that current fares in these areas include economic rent. We also found that the cost of a taxi licence (and therefore the level of economic rent in fares) is also very variable between different country areas.'* (IPART 2015b, p 1)<sup>91</sup>

IPART concluded that 'the level of economic rent in the current fares in areas outside Sydney is sufficient to cover any increase in the costs of providing taxi services over the past year' (p.2)<sup>92</sup> and thus recommended a fare freeze for country areas as well.

In its 2018 report, IPART recommended that maximum fares for both urban and country areas continue to be frozen, at least for the time being. However, in keeping with its recommendation that there was sufficient competition in point to point transport markets in the country to justify removing restrictions on supply of taxis after a two year transition period, it also recommended that restrictions on maximum fares for those areas be removed at the same time.



The freezing of nominal fares and the components of the urban and country fares schedule at 2014 levels means that the maximum fare able to be charged today still reflects the high proportion of fares required to service lease costs, as identified by IPART in 2014. As lease costs have declined in recent years, more of the fare should now be available to cover the other costs of running a taxi. The impact of these costs on taxi fares is further discussed below.

### What the review heard

While this review did hear of limited exceptions, such as the country taxi operator that charges a flat fare for journeys within town limits, or pre-agreed charges for 'account' customers, by and large taxi service providers reported that they simply use the metered fare, set to the maximum fare structure established by the fares order, for all of their journeys, whether rank and hail or booked.

Many operators (particularly in the regions) complained that the maximum fare had not been increased for six years and asked that it be increased. However, they were not prepared to take advantage of the opportunity to adopt a different approach to setting booked fares, which are not subject to any maximum.

This is despite the fact that, as described in [Section 7.1](#) in many of these regional areas, operators reported that booked services make up the majority of journeys (up to 80 or 90 per cent in smaller centres, but in excess of 50 per cent everywhere outside Sydney).<sup>93</sup>

The review is advised by TfNSW that taxi industry participants have presented proposals for changes to the current fares order (including the components and structure of fares). Even where the proponents claim that the changes would result in fares below (or mostly below) the maximum, there has been an unwillingness to test or trial alternatives. This suggests a welcome willingness to think creatively about fare structures, but tempered by uncertainty about the appropriateness of trying something different from the regulated approach (even if it would still be within the required parameters), or to try something that is not explicitly endorsed by government.

In the consultation sessions, some operators claimed that customers like the certainty of the regulated metered fare. While the review did not hear much from customers directly, there are indications that this certainty is part of the attraction to some of continuing to use taxis rather than risking the dynamic pricing often associated with rideshare. In this sense, the metered fare may be considered part of the 'taxi brand'. Taxi networks and operators perceive a benefit to themselves of sticking to the commonalities of the taxi brand rather than promoting their individual brands by adopting new pricing structures.

There is also the benefit that taxi fares can be justified as being the result of government intervention and based on objective criteria, 'nothing to do with me'. Ola suggested to the review that having regulated maximum fares for rank and hail taxis:

*'allows them to shift the onus of explaining charges to government – instead of having to defend those costs to consumers. Deregulation would allow the providers to charge a price more in line with their actual costs and allow the market to determine whether they are comfortable in paying that fare.'* (p 3)

With booked fares no longer subject to government regulation, it is difficult to know for certain how service providers set and calculate the fares quoted to passengers. Passengers are simply provided with an estimate at the time of booking, which they can accept or reject.

Most rideshare operators use an algorithm to provide a quote. Deloitte Access Economics (2016) reported the majority of Uber trips (91 per cent) are charged at the baseline fare structure that is set for each state. For the rest, they use dynamic pricing methods that increase fares by a stated multiple (for example, 'x1.4' means the price of a ride will be 40 per cent above the baseline fare) based on the level of demand for rides relative to the supply of driver partners available in the area at a particular time. The expectation is that the higher price will attract more drivers into the area to meet that demand ([p 6](#))<sup>94</sup>.

Deloitte also found that Uber's services are, on average, just under 20 per cent cheaper than the equivalent taxi fare, including dynamic pricing (p.1)<sup>95</sup>.

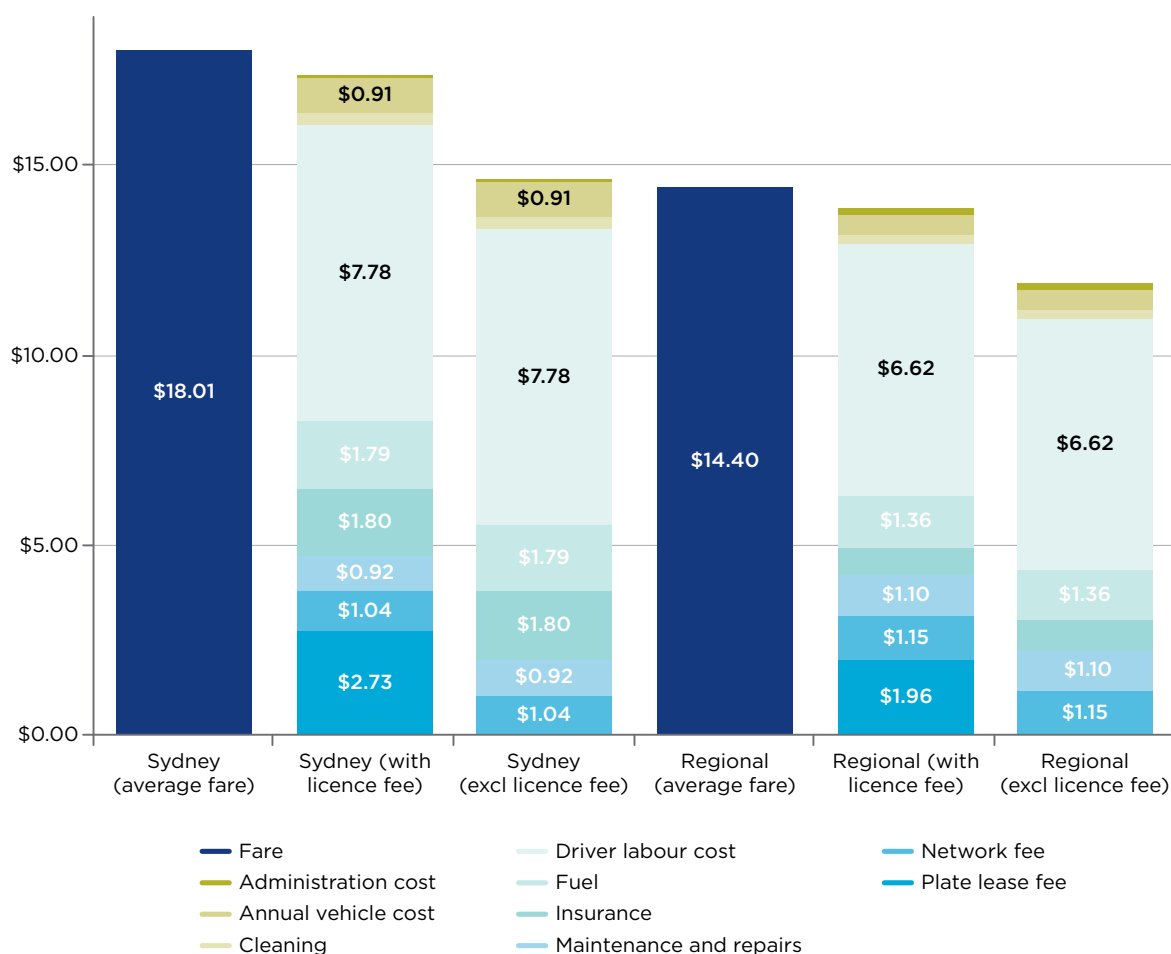
As discussed at [Section 6.3](#), Orima Research shows that 'value for money' is one of the key perceived strengths of rideshare. This suggests that, however they structure their fares, competition is ensuring that booked service providers are not charging more than the market can bear. By contrast, taxi fares and surcharges are aspects of the service that taxi customers are least satisfied with, according to both Orima Research and TfNSW customer research (as described in [Section 6](#)). So even if it is true, as suggested by some operators, that some customers like the certainty of a government endorsed metered taxi fare, many are not satisfied with the quantum of it.

The fare paid by taxi customers has to cover both the economic rent associated with the licence (discussed in [Section 7.1](#)), and the other costs of providing taxi services, including remuneration to drivers and operators, network fees, and the expenses of maintaining and insuring the vehicle.

In its 2014 report, IPART found that lease costs of about \$28,000 per year accounted for almost 20 per cent of the revenue earned by a Sydney taxi in 2011-12 (p.9)<sup>96</sup>. Subsequent surveys found nominal lease costs declining as the value of licences declined, partly as the result of the release of renewable licences, but mainly because of increasing competition from other providers (IPART 2015a, p.14-15)<sup>97</sup>. The later reports do not repeat IPART's analysis of the proportion of fares represented by lease costs. However, more recent industry data indicates that even though lease fees have declined since then, an estimated 15 per cent of the cost of running a taxi still can be attributed to licence costs.

[Figure 15](#) illustrates the proportion of the fare that is related to servicing licence/lease fees and what the impact would be if the lease fee were no longer included:

**Figure 15. Taxi operator costs compared with fares**



Source: prepared by review, based on data in PwC 2018

If the recommendation to deregulate the supply of taxi licences is implemented, the burden of servicing the licence/lease cost will be removed. Taxi operators will be able to use this to either reduce fares, or choose to offer higher quality services, with more of the fare going to reward drivers or improve margins for the operator.

The Physical Disability Council of NSW said:

*'PDCN believes an effective approach in a deregulated fare market would be introducing measures that make comparisons between point to point transport services easier for consumers. It will be essential to ensure there is transparency in the fare structures across point to point transport services to guarantee that in a provider neutral market the consumer is able to make informed choices.'* (p 16)

## **Fare regulation should change**

The rationale for regulating maximum fares for any point to point transport services, and taxis in particular, is much diminished if restrictions on supply are removed and competition is able to increase. Competition will put downward pressure on fares, as will the removal of the licence cost from taxis operating costs. Service providers will be able to adjust and differentiate their service offering and charges to reflect their actual costs and meet market demand, be it for no-frills, premium or niche services.

However, this review accepts there remain aspects of taxi services that present a risk for unwary or disadvantaged consumers and it is appropriate for fares to be managed to some extent to mitigate against such risks.

One example is at airports, particularly major international airports like Sydney, where large numbers of persons unfamiliar with local conditions are at risk of price-gouging, and all passengers, even returning residents, may have little opportunity to compare and reject offered fares because of the need to expedite the movement of vehicles and passengers. While it is increasingly likely that incoming passengers may be able to manage these risks by researching fares in advance, or by use of booking apps, the review recommends that measures be taken to minimise risks to these consumers.

Another example is in relation to government subsidies for transport disadvantaged passengers such as the Taxi Transport Subsidy Scheme (TTSS), where a non-regulated fare could open both the passenger and government revenue to gouging.

On this basis, the review recommends that IPART should continue to have a role in considering appropriate fares for rank and hail taxi services. Rather than recommend a maximum fare, IPART should be asked to advise on an indicative 'reasonable' fare schedule for country and for Sydney taxis. This will be particularly important, especially in the early stages of deregulation of licence supply, to ensure licence cost is removed from the indicative fare calculation. It will also assist consumers in making choices about what is a reasonable fare.

IPART already performs such a role in relation to the assessment of solar feed-in tariffs, where it sets benchmarks to guide retailers and consumers.

Taxi service providers could choose to simply use this indicative fare schedule or use it as a basis for developing their own fare structure. They could use it to publicise their own fare structure to customers – pay 10 per cent less for a no frills service, or pay 10 per cent more for a premium chauffeur-driven ride. Ultimately, however, taxi service providers should be responsible for setting their fares based on their costs, their competitive positioning in the market and the value proposition underpinning their services.

To ensure consumers have an opportunity to understand the fares a particular operator is likely to charge, each taxi service provider's fare schedule (and any subsequent modifications to it) should be:

- provided to the Point to Point Transport Commissioner for publishing on the commission's website, and
- advertised to the public and clearly displayed inside the vehicle, showing how it compares with the IPART determined indicative fare schedule.

Any changes to the fare schedule would have to be notified to the Commissioner and advertised in an appropriate way and displayed in the vehicle. If a service provider has a website or public offices, its fare structure should be advertised there. If smaller operators do not have such premises nor a website, the publishing of their fare schedules on the Commissioner's website will enable public comparisons and scrutiny.

The indicative fare schedule should be used to inform maximum fares for the higher risk services identified above. In particular, it would apply as a maximum fare for rank and hail services from Sydney Airport (and Western Sydney Airport when operational). IPART will need to account for the TTSS eventually becoming provider neutral when developing its reasonable fare schedules.

While it may take some time for taxi service providers to move from relying on the indicative fare schedule and to develop their own fare schedules, competition will increase the likelihood of fares decreasing over time, with resultant consumer benefits, while continuing to appropriately manage the risks of information asymmetries between providers and consumers.

### **7.3 A level playing field for services for the transport disadvantaged**

The NSW Government currently provides a range of incentives and subsidies to assist persons who are unable to use private vehicles or public transport, particularly people with a disability, to access suitable point to point transport alternatives. The schemes variously support operators to invest in appropriately modified vehicles and the training of drivers, pay drivers for the time taken to effectively load and unload passengers with wheelchairs, fund the centralised booking service, and subsidise eligible passengers for the cost of journeys. The current schemes are only available in respect of services available in taxis.

This review is of the view that government support for the provision of services for those with special needs, in particular in the form of wheelchair accessible services, remains a vital ingredient for ensuring these services continue to be available and are able to expand where the need arises. Current incentives should continue and be expanded as appropriate. In particular, the government should expedite moves towards making the Taxi Transport Subsidy Scheme (TTSS) and other schemes more user friendly, efficient and provider neutral, to encourage a wider range of service providers.

In addition, the review recommends consideration of additional incentives for wheelchair accessible taxis (WATs), noting that the recommendations in [Section 7.1](#) to remove restrictions on the supply of taxis and to make taxi licences available on application for an administrative fee will have implications for the utility of current incentives to invest in WATs. This type of assistance might be expanded to also be available to other providers of WAVs.

Gaps in services for people with a disability and other transport disadvantaged groups are often most keenly felt in rural and regional areas, especially where markets are thin and public transport services are patchy. It can be particularly difficult to provide cost efficient, effective and appropriate services in such locations.

Some of the recommendations in this section direct attention to the situation in regional areas and these aspects of the recommendations are dealt with in more detail in [Section 9](#). [Section 9](#) also contains much of the evidence in relation to the difficulties of ensuring relevant services are available, laying the groundwork for the recommendations.

## Recommendations

The review recommends that:

8. To coincide with changes to taxi licence supply and in addition to current incentives and subsidies, that further measures be introduced to ensure the ongoing provision and commercial viability of wheelchair accessible services. Such measures may include:
  - A subsidy to offset the capital costs of modifications and fit-out of a new vehicle for wheelchair access in addition to interest free loans already available
  - A rebate payable to the WAT vehicle owner/operator to offset some of the operating costs for WAT vehicles, for example, for vehicle registration or insurance
  - An incentive amount payable to the WAT vehicle owner/operator to offset the additional operating costs for WAT vehicles (compared to conventional vehicles) for each wheelchair trip
9. As a matter of urgency an accessible electronic payment system for the TTSS should be introduced and, as agreed by the NSW Government in 2015, the scheme be made provider neutral throughout NSW.
10. The TTSS be immediately made available for use with all authorised service providers in regional locations without a taxi service (including community transport) – i.e. ahead of the electronic payment system being introduced.
11. The indicative fare schedules recommended by IPART for country and Metro Sydney areas (or lower cost arrangements as offered by the provider) be applied as the regulated maximum fare for TTSS regardless of provider.
12. All wheelchair accessible transport incentives and subsidies be extended to all authorised point to point transport providers i.e. provider neutral access for all such providers.

## Background

The (Commonwealth) Disability Standards for Accessible Public Transport, issued under the *Disability Discrimination Act 1992*, sets the framework for public transport operators and providers to remove discrimination from public transport services.

This means TfNSW is required to upgrade public transport precincts to ensure equitable access is provided for customers of all abilities. To that end, the NSW transport network is being progressively upgraded, through the transport access program to provide accessible public transport infrastructure across NSW. Almost 90 per cent of transport customer journeys begin from locations now accessible to customers with a disability or limited mobility, and parents and carers with prams.

However, mainstream public transport remains inaccessible for some customers who depend on either wheelchair accessible or conventional point to point vehicles for their transport.

The establishment of wheelchair accessible vehicles (WAVs) costs more than standard point to point vehicles as they need to be of sufficient size and then modified to safely carry wheelchairs. [Clause 10](#)<sup>98</sup> of the P2P Regulation 2017 sets out specific standards that must be met for a WAV. They also cost more to operate, and drivers need to be trained to assist passengers to board and off-board ([P2P Regulation 2017, clause 26](#))<sup>99</sup>.

The driver of a WAV must give preference to wheelchair passengers over persons not using a wheelchair, and must ensure the wheelchair is safely secured in the vehicle ([P2P Regulation 2017, cl 65](#))<sup>100</sup>.

Wheelchair accessible taxi licences are licences which impose a condition that the vehicle used to provide the taxi service must be wheelchair accessible. Known as WATs, these vehicles can provide the full range of taxi services, that is, in addition to booked services, they can also offer rank and hail services. This

means that they must also comply with the safety and security requirements of taxis. Other conditions that used to apply to WATs, such as the requirement to be on the road for a minimum number of hours a day, were removed on the recommendation of the Taskforce.

A range of government schemes and programs to support the provision of WATs and WAT services have been in place for a number of years, as has TTSS which subsidises passengers for the cost of journeys in taxis. None of these incentives or subsidies are available for vehicles other than licenced taxis. These various schemes are described below, including the enhancements made to them post-Taskforce, and the remaining challenge of expanding them beyond taxis.

## Effect of the reforms

Following the Taskforce, a range of measures were adopted to encourage the provision of WAT services. They do not apply to non-taxi WAVs. Most were enhancements identified by the government to existing incentives and subsidies, which the Taskforce recommended should remain in place.

**Freely available WAT licences** To make them commercially viable, WAT licences are freely available on demand from the Point to Point Transport Commissioner. This had been the case outside Sydney for many years, it was expanded post-Taskforce to include WAT licences in Sydney. Previously, a WAT licence had cost \$1000 per year in Sydney.

No licence fees, on application or renewal, apply to WAT licences. However WAT licences are monitored for compliance with their terms and conditions and a licence can be cancelled if, for example, preference is not being given to wheelchair passengers. The Commissioner generally does not issue the licence until it is confirmed that the vehicle complies with all the relevant requirements. As at May 2020 there were 811 WATs in Sydney and 296 WATs outside Sydney, an increase since November 2017 of 136 and 34 respectively.

WAT licences are not subject to area restrictions other than Sydney/outside Sydney.

**Interest free loans** The WAT interest free loans scheme was expanded, with loans to fund the cost of purchasing and modifying a vehicle for use as a WAT, or retrofitting an existing vehicle for use as a WAT. WAT loans became available to cover the full cost of purchase and modification (rather than \$30,000 to cover just the modifications). Loans of up to \$100,000 are now available, from a pool of \$5 million (up from \$800,000).

**Centralised booking service** The cost of Zero200, the centralised booking service for WATs in Sydney, was subsidised, saving WAT businesses \$2,130 per vehicle per year (as estimated post reform).<sup>101</sup> This was a recommendation of the Taskforce. Taxi service providers in Sydney must enter into an arrangement for the provision of booking services for their wheelchair accessible taxis with Zero200 ([P2P Regulation 2017, cl 43](#))<sup>102</sup>. The service is operated by Taxis Combined (associated with 13cabs).

The review notes the 2020 report of the findings of the Transport Disability Incentives and Subsidies (TDIS) review (TfNSW 2020, described further below), included suggestions from users about improvements to Zero200, including concerns about how it might operate in a provider neutral environment:

*'Currently, the centralised booking service relies on all WATs using the same dispatch software to enable the service to efficiently allocate jobs. This imposes a cost on WAT operators, although there are no other fees associated with affiliating with the service. It is unclear at this stage how a CBS might operate in a provider neutral environment, particularly where different service providers offer different fee structures. However, it is desirable that if the requirement to affiliate with the service exists, it should apply to all WAVs operating in Sydney, consistent with the principle of the level playing field.'* ([p 17](#))<sup>103</sup>



Similar issues were raised in submissions to this review. The Physical Disability Council said its experience of using the current service was generally positive, but wanted to see it expanded to cover all TTSS eligible persons and not be limited to those requiring WATs, as well as expanded generally to all providers (p 14-15).

This review supports further consideration of how to adjust the centralised booking service to suit a provider neutral environment.

**WAT Driver Incentive Scheme (WATDIS)** The incentive payment to wheelchair taxi drivers when they carry passengers in wheelchairs using the TTSS for payment increased from \$7.70 (ex GST) to \$15 (ex GST) for each wheelchair passenger carried in a WAT taxi from 1 July 2016. This incentive payment is only for the driver of the WAT and is designed to improve reliability and response times for passengers, and to support drivers in achieving these improvements.

**Taxi Transport Subsidy Scheme (TTSS)** This assists passengers who are unable to use public transport because of a qualifying severe and permanent disability, rather than an incentive to providers. The subsidy covers 50 per cent of the total fare with a maximum subsidy of \$60 per journey (increased from \$30 from 1 July 2016) and is claimed using travel dockets or vouchers. Currently TTSS vouchers can only be used on taxis. Some persons eligible for the TTSS require WATs, others do not. Where there is no taxi or no WAT available, eligible participants aren't able to enjoy the benefits of the scheme.

A recommendation of the Taskforce was to make the TTSS provider neutral so that participants would be able to use the service of their choice. This recommendation is relevant state-wide, but it has special relevance in regional areas where taxi services may be limited or not available, and the evidence for this is discussed in [Section 9](#).

**Provider neutrality** As noted, the Taskforce recommended that existing subsidies and incentives should remain in place, but this was intended to be for an interim period while the government investigated how to make the subsidies and incentives provider neutral – that is, to ensure that booked service providers be able to access measures that would assist them with the costs of putting WAVs on the road and persons eligible for the TTSS would be able to obtain the subsidy for transport in hire vehicles as well as taxis. TfNSW is working hard to progress the expansion of the TTSS, however it remains work in progress.

TfNSW (2020) is the report of the TDIS review which considered subsidies and incentives for point to point transport services for people with a disability. It provides detailed insights into the views of various industry participants about the current range of incentives and subsidies; many of which were echoed in submissions to the present review.

The major finding was:

*'broad support for a provider neutral subsidy scheme supported by an electronic payment system that would replace the existing paper vouchers. In the short term, TfNSW will aim to partner with Booking Service Providers to provide more transport options for TTSS participants. TfNSW will work towards developing a new system to replace the current paper system, and gradually open up the scheme to all point to point transport providers.'* (p 3)<sup>104</sup>

This review urges TfNSW to prioritise these findings. Provider neutrality is an appropriate and necessary objective to ensure that everyone in NSW is able to enjoy the variety of point to point transport services.

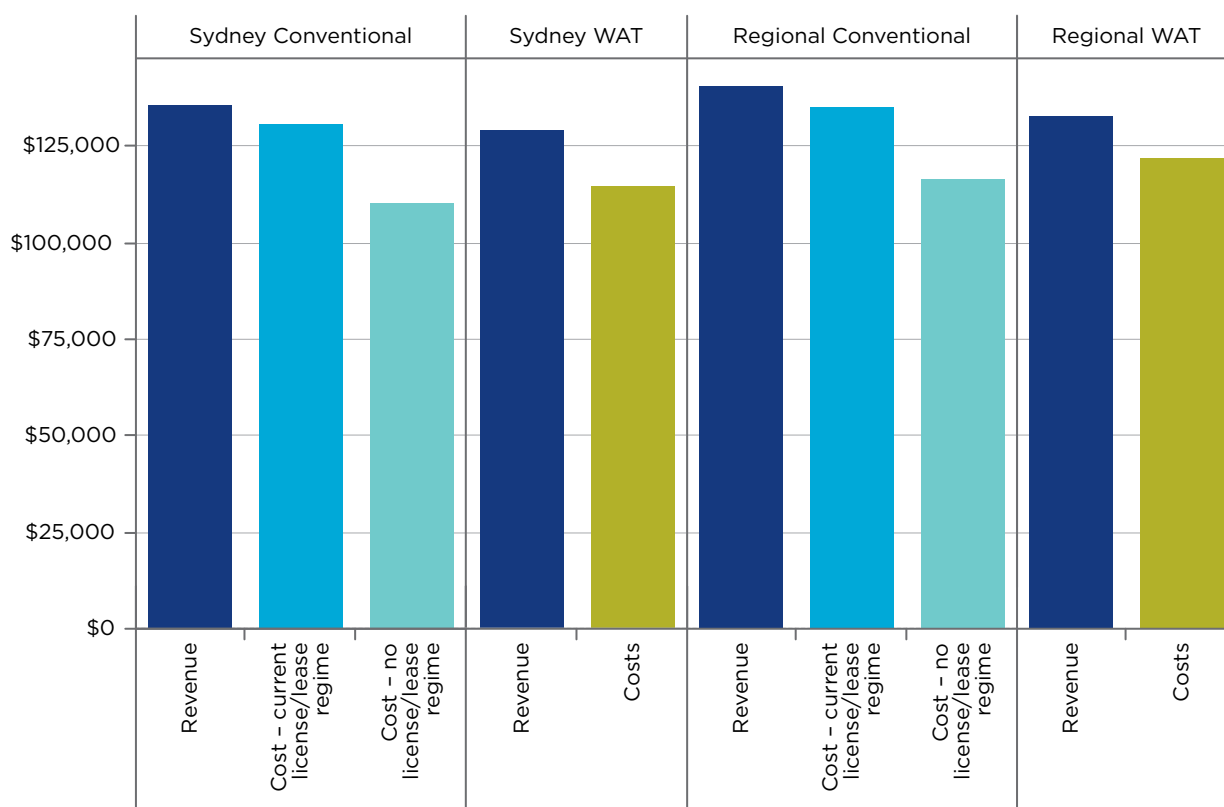
**Commercial attractiveness of WATs** In 2018, as part of the TDIS review (TfNSW 2020), TfNSW commissioned a study by PwC into the viability of WATs (PwC 2018)<sup>105</sup>. PwC compared the establishment and running costs of a WAT and a conventional taxi, finding a typical WAT generates higher net revenues when compared with a conventional taxi. This was attributed partly to access to the TTSS and other wheelchair subsidy schemes and partly to the fact that the cost of operating a WAT is about 10 per cent lower than a conventional taxi. The lower operating costs arise from a range of factors, in particular lower driver costs because they generally go out on fewer shifts, and also the lack of licence lease costs. PwC found that:

*'The higher annualised establishment costs associated with operating a WAT appear to be completely offset by these factors.'* (p xi)<sup>106</sup>

It then observed:

*‘over time, viability should converge as market participants can choose to enter or exit each market. This convergence is only restricted by barriers to entry/exit. Different barriers exist in both the conventional and WAT markets: licence fees and the restricted number of plates in circulation for conventional taxis or high vehicle establishment costs in the case of WATs. For WATs, this barrier to entry is largely offset by the existence of the WAT Loan that is available through TfNSW which covers the purchase and fit-out of a WAT.’ (p xi)<sup>107</sup>*

**Figure 16. Taxi costs – WAT compared with conventional taxi**



Source: prepared by review, based on data in PwC 2018

This suggests that if the value of conventional taxi licences is eradicated as proposed by recommendation 1 and all other factors remain the same, one of the significant factors in making WATs an attractive commercial proposition will disappear. While operating a WAT might still be commercially viable in terms of returning a modest net profit, operating a conventional taxi would be a far more profitable proposition.

## What the review heard

### Wheelchair accessibility

The Physical Disability Council of NSW welcomed the positive impact of the reforms to date:

*‘Overall, we consider that the efforts of the NSW Government have improved the customer experience for persons with physical disability across NSW. We have seen increases in the number of WATs, both in urban and regional areas and subsidy increases have meant that the costs associated with travel have been reduced for our membership.’ (p 5)*

The PDCN made a range of recommendations for expanding the operation of subsidies and incentives for both passengers and service providers, including that:

*‘Access to the interest free loan scheme, free licenses and the WATDIS be expanded to drive share providers and community transport operators.’ (Rec 5, p 11)*



In the PDCN's opinion, while the current incentives appear to be working, more WATs are needed:

*'[Council] believes the provision of accessible point to point transport services should be prioritised despite views by some transport providers that a competitive advantage may be given to community transport operators. PDCN feels that increasing accessible services is in the best interest of individuals with disabilities who are entirely reliant on point to point transport services and live in areas where there may be zero WAT services or an extremely limited number of WATs and we note that the transition to the NDIS has resulted in the removal of substantial funding previously provided to community transport.'* (p 11-12)

It called for a particular ratio to meet demand:

*'we suggest that Transport for NSW target incentives to ensure the provision of WAT services relative to the population size of communities, at a minimum of 1 WAT per 10,000 residents – opening up the scheme to other point to point transport providers is a logical step to achieving such a ratio.'* (p 12)

Spinal Cord Injuries Australia, in its survey response, was also concerned about the limited availability of WATs:

*'For those with disability living in regional and remote areas, access to wheelchair accessible taxis is not always possible, and for those areas that do have WATs, the number available at any given time would be quite limited.'*

Other concerns about WAT services expressed by disability groups included excessive waiting times (suggesting that some drivers may not be observing the priority requirement), and poor service by drivers (suggesting failure of operators to meet the requirement that drivers be properly trained to load and unload passengers using wheelchairs).

The Taxi Council's submission expressed the views of many in the taxi sector in response to the free availability of WAT licences:

*'These licences are being issued with no restriction on area of operation. There is no eligibility criteria, nor a demonstrable need required when applying for a WAT licence. Furthermore, there is no fit and proper assessment to ensure that the applicant can fulfil all requirements to meet the licence conditions. We have seen many WAT licences issued to Operators who have been ejected from existing Service Providers because of a breach or bad record of service delivery. Unfortunately, this has led to the oversupply of WAT Vehicles in many areas.'* (p 63)

There is a concern among many that WATs are being used by those wishing to enter the industry as a cheap way to get a licence to provide rank and hail work, with limited interest in providing wheelchair accessible services. These concerns tend to be focused on the impact on existing taxi service providers of additional vehicles in existing fleets as well as new service providers.

Another view on protecting the interests of existing taxi incumbents was captured by the following confidential response to the survey question concerning what could be done to ensure wheelchair services captures many of these concerns:

*'The only way this can happen is to further increase the lift fee and ensure that it is only the NSW taxi industry is the only public passenger provider that does the transport (other than route bus services). I know in our town if rideshare are approved to provide WATS services we will no longer be able to support that type of service. The TTSS dockets need to stay exclusively in the NSW taxi industry...for a driver to want to continue to provide those services it needs to be made worthwhile for them. It should be mandatory that any new WATS plates issued only do WATS work and no other. It is blatantly clear that the sole purpose of those getting WATs plate is a backdoor way to do maxi taxi services.'*

The review notes that nothing in the P2P Act suggests that a WAT may not perform conventional work, as long as it prioritises wheelchair work. The ability to also perform conventional work when the WAT is not required for priority wheelchair work is an important factor in ensuring the financial viability of WATs (see PwC 2018).

It is likely there would be even fewer vehicles offering wheelchair accessible services if they were prohibited from offering conventional rides as well.

Review consultations revealed a common perception, particularly among regional taxi operators, that other providers of services to customers with health or mobility issues were benefiting from government subsidies (in the case of community transport)<sup>108</sup> or lack of regulation (in the case of NDIS providers who are not covered by the P2P Act).<sup>109</sup>

By contrast, booked service providers are concerned that while they would like to offer services to customers with special needs, it is difficult to do so cost-effectively because they are excluded from the various subsidy and incentive schemes. Uber noted the WAV trial it had been conducting in Newcastle and said:

*'The trial has supported a limited number of riders in Newcastle who require a WAV, however success of the trial has been limited due to eligible Taxi Transport Subsidy Scheme (TTSS) members not being able to use subsidies on Uber (and is unable to compete on price). With being unable to access subsidies such as Lifting Fees, the pilot is unable to be both financially viable and have the ability to be on-demand for riders in an identical method to other products offered through the Uber app.'* (p 28-29)

### **General accessibility issues**

As set out above, much attention was paid to the availability of specialised vehicles for wheelchair users. However, representatives of people with a disability also raised concerns about a range of other issues in relation to point to point transport services generally. These issues do not, strictly speaking, fall within the terms of reference for this review, but the review encourages government to consider how they could be addressed.

A particular concern was about booking technology that does not comply with accessibility guidelines. As noted by Vision Australia, 'there are well-attested international guidelines for developing apps so that they are accessible to people with disability', and most smart phones include accessibility features, so there is 'no reason why developers of smartphone apps cannot make them fully compliant with accessibility guidelines'. And yet the four Sydney taxi apps they tested did not comply with the guidelines. (page not numbered)

Vision Australia noted positive interaction it had had with Uber, and described its app as more compliant with accessibility guidelines. Uber described its app as follows:

*With VoiceOver iOS compatibility, the Uber app accommodates passengers who are blind or have difficulty viewing a smartphone. Passengers can enable VoiceOver, which can be used in connection with a wireless Braille display, and is available in all Uber cities.* (p 28)

However, both Vision Australia and Uber observed that the utility of this app was limited by the fact that Uber is not able to be used by customers with TTSS eligibility. This emphasises the importance of making that scheme provider neutral.

Another concern for customers who are visually impaired is the need for accurate real time information about the fare to be charged – generally they simply have to trust the driver. Vision Australia said it had urged the NSW Government to introduce 'talking taxi meter' technology, similar to that already operating in Queensland.

Vision Australia collaborated with Guide Dogs NSW/ACT and Blind Citizens Australia to produce a short survey designed to obtain feedback from people who are blind or have low vision about their experiences using point to point transport in NSW. Vision Australia reported that:

*'A key finding from the survey is that 52 per cent of taxi users who are blind or have low vision report that they have experienced instances of disability discrimination or poor ('less than helpful') service from taxi drivers'. (page not numbered)*

This relates to the concern expressed by a number of organisations representing persons with a disability (and others) about what they perceive as the lack of an effective mechanism for dealing with complaints about service quality. Blind Citizens Australia described it thus: 'A lack of follow-up and no resolution after lodging a complaint are consistent issues.' (p 12).

In keeping with the P2P Act model of returning responsibility to those providing services, this review contends that customers should raise any concerns they have about the standard, quality and value of the service or driver directly with the service provider, and service providers should have effective mechanisms in place to receive and act on complaints. This direct feedback should inform those competing in the market about how they can improve their services to meet the needs of their customers.

The Accessible Transport Advisory Committee (ATAC), whose members include organisations representing people suffering transport disadvantage, particularly people with disabilities advises TfNSW on transport access issues. This would be an appropriate forum for further consideration of the adequacy of current complaints handling by point to point transport providers.

## The way forward

NSW Government support for the provision of services for customers with special needs, in particular wheelchair accessible services, remains a vital ingredient for ensuring these services are available and are able to expand where the need arises. Current incentives should continue, and the government should expedite making the TTSS and the wheelchair accessible transport incentives available to all authorised point to point transport providers.

This will level the playing field for all point to point transport operators, encouraging them to consider whether to add appropriate vehicles to their fleets and to think about how their service offering is communicated and made attractive to a broader range of customers. Passengers with special needs are likely to benefit from a wider choice of service providers, including services that have not been readily available to them previously such as rideshare.

Technological innovations can be a source of service improvement. Operators are encouraged to consider how they can, for example, improve and upgrade their apps to make them accessible to all customers. The review heard that 'talking meters' are in use in Queensland, and consideration could be given to their installation in NSW taxis. TfNSW could monitor such innovations and promote their adoption by point to point transport providers.

Additionally, the review urges that the TTSS should immediately be made available to community transport or to other suitably authorised service providers in regional areas without a taxi service. This is further discussed in [Section 9](#).

As recommended and discussed further in [Section 7.2](#), IPART will need to be asked to account for the TTSS eventually becoming provider neutral when developing its indicative fare schedules.

As noted, the recommendation to remove supply caps on taxi licences will have the effect of undermining the value of the current incentive of WAT licences being available free of charge. In light of this, the review recommends the NSW Government consider additional incentives, in particular:

- A subsidy to offset the capital costs of modifications and fit-out of a new vehicle for wheelchair access in addition to interest free loans already available
- A rebate payable to the WAT vehicle owner/operator to offset some of the operating costs for WAT vehicles, for example, for vehicle registration or insurance
- An incentive amount payable to the WAT vehicle owner/operator to offset the additional operating costs for WAT vehicles (compared to conventional vehicles) for each wheelchair trip.

Those tasked with developing these additional measures should also consider how these and other incentives could be expanded to support wheelchair accessible vehicles (WAVs) generally, in line with this review's endorsement of the proposal to ensure provider neutrality.

## 7.4 Access to road and kerbside infrastructure

Moving towards a level playing field was an express objective of the point to point transport reforms. However, the ongoing distinction between rank and hail and booked services as well as different operating models, has resulted in differential treatment of services in a range of contexts. This section discusses access to road and kerbside infrastructure as it is key to enabling the efficient and safe use of the transport network. In particular, it considers who can use bus and transit lanes, and the arrangements for where point to point transport services are permitted to pick up and drop off passengers. More equal treatment of all point to point transport types in relation to these issues will ensure a more level playing field.

### 7.4.1 Use of bus and transit lanes

#### *Recommendations*

The review recommends that:

13. For the time being, taxis continue to be allowed to use bus and transit lanes to assist their efficient circulation to cater for the rank and hail market in high demand locations.
14. The impact of any increase in taxis numbers on the operation of bus and transit lanes be monitored, noting that their purpose is to provide for the efficient movement of large numbers of people in high capacity vehicles and that in time their use by taxis may no longer be compatible with this.
15. Hire vehicles not be permitted to use bus and transit lanes.

#### *Background*

Historically, both taxis and traditional hire vehicles have had access to bus and transit lanes. However, with the rapid change in transport markets including population growth and the emergence of new service models such as rideshare, the competition for road space has been increasing, particularly in urban areas.

*Future Transport 2056* aims to provide a '30 minute city'<sup>110</sup> through provision of public transport, and to make public transport as attractive as possible. The allocation of road space, by prioritising access for high productivity vehicles such as public transport contributes to this outcome.

High productivity vehicles in this context means vehicles capable of the efficient movement of large numbers of people at the same time. To date, allowing taxis and traditional hire cars to use bus and transit lanes has not seemed to overly compromise the purpose of those lanes. However that may soon change if the recommendations on taxi licensing are adopted and the number of taxis increases. TfNSW's analysis of a limited number of Sydney bus lanes in October 2019 established that capacity on those lanes was limited, such that extending access to additional vehicles could not be recommended.<sup>111</sup>

#### *Reforms to date*

Under the P2P Act, a licence to operate a hire vehicle providing booked services is no longer required. This means that hire vehicles no longer need to pay licence fees (which were over \$8,000 a year in Sydney and \$3,000 a year outside Sydney). The Additional Assistance Hire Vehicles Payment (AAHVP) Scheme was established in recognition of the fact that hire vehicle licences were no longer required. The AAHVP Scheme distributed \$8.3 million to 99 eligible hire vehicle licence holders, for 150 eligible hire vehicle licences.

Prior to the 2015 reforms, licensed taxis and hire cars both had access to bus and transit lanes. There continues to be a cap on the number of taxis permitted on the roads, but the end of licensing for hire vehicles means that there is no cap on their numbers. In light of this, it was decided that while taxis, in their limited numbers, would be able to continue to access these lanes, it was not appropriate for an unlimited number of unlicensed hire vehicles, which are not readily distinguishable from private vehicles, to do so.

However to provide the traditional hire car industry with time to transition to the new arrangements, the [NSW Road Rules 2014](#)<sup>112</sup> were amended to permit them to continue to access bus and transit lanes until 30 June 2020. This applies only to vehicles which still have an 'HC' number plate, which pre-reform, were issued to those holding hire vehicle licences. With the end of hire vehicle licencing, HC plates are no longer available. This access has been extended to 31 December 2020 to enable this review to report to Ministers on this matter ([See Ministerial \(Bus and Transit Lane Exemption\) Order 2020, Government Gazette 116 of 5 June 2020, p 24](#))<sup>113</sup>.

### **What the review heard**

The NSW Hire Car Association which represents traditional hire car operators urged the review to consider whether and how the current access of hire car plated vehicles to bus lanes could be continued, arguing that:

*'This loss will add 30-60 minutes travel time to many customer trips, especially those taken during peak hours, and further exacerbate traffic problems as 1500 working vehicles are pushed to already congested Sydney roads... Hire car customers are primarily high productivity business and private users whose contributions to the NSW economy is in the order of tens of billions. Efficiency of transport is a critical requirement of this consumer group...' (p3)*

Major rideshare operators also called for equal treatment of all service providers in relation to access to bus and transit lanes. Uber said:

*'Uber supports bus lanes on our roads and believes that people who use mass transit should be rewarded with faster travel times. We also appreciate that it may not be feasible for the government to give access to all point to point vehicles without causing congestion on these routes. However, the public policy rationale applies equally to all point to point transport vehicles and there is no credible basis for cherry-picking a particular segment for access.' (p. 20)*

Ola also acknowledged the role of bus lanes in reducing congestion, but proposed a trial of rideshare access to bus lanes during the period of recovery from the coronavirus pandemic:

*'This could be trialled until the end of the year to help move people while the pandemic continues. Rideshare and taxis should only use the lanes when 'on-trip' to ease the burden on these lanes. If the system works, it should be maintained after the trial, but if there are any issues they can be worked through with the industry on review.' (page not numbered)*

From a business perspective, the Sydney Chamber of Commerce highlighted the importance of a level playing field for all point to point transport services in supporting business and economic growth suggesting:

*'ride hail services should have access to use taxi stands and bus lanes in order to allow them to function better by moving and picking-up customers more quickly, safely and efficiently. Not only will this facilitate a more equitable playing field for both providers, but it will maximise the return on investment of infrastructure, facilitate better social outcomes and improve local amenity'. (p 3)*

### **Bus and transit lanes need to support the efficient use of the road network**

The Hire Car Association claimed its customers are high productivity business and therefore they should retain access to bus and transit lanes. In considering the position of the Hire Car Association the review is mindful of the market segment historically served by the traditional hire car industry. They claimed their business and their customers will suffer significantly unless they retain access to bus lanes. In relation to that position the review makes two points.

First, while the Hire Car Association claimed that losing access to bus lanes will add 30-60 minutes to customer trips, this does not align with findings of the 2017 Grattan Institute report on road congestion in Sydney and Melbourne. The Grattan Institute noted that while congestion is worse in and around the CBD, 'a typical delay for travel on routes to Sydney's CBD in the morning peak is around 11 minutes, but some trips appear regularly delayed by as much as 15-20 minutes'. The report further noted that for many Sydney commuters, congestion is very modest, rarely more than 5 minutes longer than if there were no traffic' (p18)<sup>114</sup>.

Secondly, in accepting the Taskforce's recommendations, the NSW Government deliberately moved away from licencing of hire vehicles to free up the booked sector of the industry to compete on a level playing field. For this reason the review is not able to recommend that the advantage enjoyed by the traditional hire car industry by virtue of the former licencing regime should continue.

The claim for hire vehicle access to bus and transit lanes also needs to be considered alongside the purpose of the NSW Road Rules 2014 which 'are a framework for the safe and efficient movement of traffic on NSW roads' (Roads and Maritime Services 2020)<sup>115</sup>. The review agrees with the general principle that bus lanes should be reserved for high productivity vehicles, that is vehicles carrying or capable of carrying multiple passengers, to support the efficient operation of the transport network.

This view is expressed well in the *Future Transport 2056 Greater Sydney Services and Infrastructure Plan*:

*'As Sydney grows, we will need to make better use of existing road space to move more people safely, reliably and efficiently. This will mean that on key or principal corridors, particularly around our centres, more efficient vehicles such as buses will be prioritised so they can perform more efficiently, while in other less congested areas, there will be less focus on re-allocating road space and more focus on providing for future growth.'* (NSW Government 2018a, p 64)<sup>116</sup>

To that end, the Plan notes that TfNSW will, in consultation with stakeholders, 'develop and implement a Road Space Allocation Policy with clear principles for allocating road space'. (p 64)<sup>117</sup>

In the context of the deregulation of supply of booked services and the significant increase in the numbers of hire vehicles offering these services, it would simply not be feasible to permit hire vehicles providing booked services with access to bus and transit lanes.

While calling for equal access to bus and transit lanes primarily on 'level playing field' grounds, rideshare stakeholders have also expressed support for the principle that people should be encouraged to use public transport and rewarded through faster travel times. Furthermore there is recognition that 'it may not be feasible for the government to give access to all point to point transport providers without causing congestion on these routes' (Uber submission, p 20).

There is a stronger case for taxis continuing, at least for the time being, to have access to bus and transit lanes. This will assist their efficient circulation to cater for the rank and hail market in high demand locations. However, the impact on congestion in bus lanes should be monitored as the review's recommendation to deregulate taxi supply may also result in an increase in taxi numbers. Such monitoring would inform general decision making about how to manage traffic on the road network and the best use of special lanes and transit ways.

The long term aim should be the efficient movement of people, the avoidance of congestion and a level playing field where, for example, only vehicles over a specified capacity might be permitted access to these lanes, and smaller less productive vehicles might be excluded.

The review has heard that some hire vehicle operators could consider seeking to obtain taxi licences as a means to continue to use bus lanes with no intention to provide rank and hail services. The possibility of this occurring may increase if licensing is deregulated.

This review is not proposing any restrictions on who may apply for taxi licences in future noting that anyone may now bid for or lease a licence, subject to meeting requirements of the P2P Act and Regulation.



That said, the recommendation to remove numerical caps on supply of taxi licences and make taxi licences available on application for an administrative fee clearly anticipates that taxi licences will be used in conjunction with vehicles that are available to provide rank and hail services, notwithstanding that they may also offer booked services.

All the taxi-specific requirements of the Act and regulations, including as to identification of taxis and additional security features, apply to such vehicles. This is further discussed in [Section 7.1](#).

#### 7.4.2 Kerbside access

##### *Recommendations*

The review recommends that:

16. State and local governments and industry work together to provide for adequate kerbside and other spaces to support safe and convenient pick-up and drop-off for all point to point transport users.

##### *Background*

State and local government manage kerbside infrastructure in NSW. Local councils are primarily responsible for the management of roads within their local council areas, however certain limitations apply, with councils needing to seek approval from TfNSW on a range of matters. For example, as parking authorities under NSW road transport law, local councils (and other declared organisations such as universities), may install regulatory parking signs approved by TfNSW, as well as follow any guidelines issued by TfNSW for permit or metered parking schemes ([Roads and Maritime Services 2009](#)<sup>118</sup>, [2018](#)<sup>119</sup> and [2019](#)<sup>120</sup>).

Local Traffic Committees, which include representatives from council, TfNSW, the NSW Police Force and other relevant stakeholders, provide advice to councils on traffic management issues ([Roads and Maritime Services 2009](#)). There is a range of guidance for local councils on traffic management matters, including *A Guide on the Delegation to Councils for the Regulation of Traffic* ([2009](#))<sup>121</sup>, addressing among other matters the Operation of Traffic Committees and *Permit Parking Guidelines* ([2018](#))<sup>122</sup>.

##### *Reforms to date*

The point to point transport reforms maintained taxis' exclusive rights to provide rank and hail services, including access to taxi zones ([P2P Regulation 2017, cl 76](#))<sup>123</sup>, clearways, bicycle lanes and bus and transit lanes ([discussed above](#)), as set out in the [NSW Road Rules 2014](#)<sup>124</sup>.

Under [clause 84](#)<sup>125</sup> of the P2P Regulation 2017, the driver of a hire vehicle must not ply, stand or park the hire vehicle for hire on any road or road related area, or use the hire vehicle to carry out a hiring other than for a booking made before the driver stops the vehicle at the place where the passenger is picked up, or stop, stand or queue in a taxi zone.

Due to the potential impact of an influx of rideshare services, a number of provisions were introduced to restrict the use of road infrastructure by hire vehicles.

In addition to providing a sunset clause for hire vehicles to access bus and transit lanes, changes were also made to the road rules to restrict where hire vehicles can stop, including in clearways, bicycle lanes and the Central Sydney taxi zone. No changes have been made to regulatory requirements relating to the responsibilities of local councils as a result of the point to point transport reforms.

##### *What the review heard*

As previously highlighted, there has been substantial growth in rideshare services since the point to point transport reforms commenced, particularly in metropolitan areas. Participants provided the review with a range of views on the impact this has had on traffic management and access to kerbside space.

Noting the current restrictions around access to taxi zones and clearways, some rideshare operators have called for greater access to kerbside space to enable safe pick up and drop off for customers of booked services either by creating more efficient pick-up and drop-off zones for ridesharing (Uber submission, p.21, Ola submission p.4, RDSAA submission p.5) or, by opening up access to taxi zones to all booked and unbooked point to point transport services (Ola submission p 4).

From a business perspective, the Sydney Chamber of Commerce highlighted the challenges for local councils in managing local traffic under different regulatory and operational arrangements for taxis and rideshare services to pick up and drop off passengers. Its submission outlined a case study of a trial within the Double Bay Commercial Centre to better manage patrons arriving and departing from a busy hospitality precinct.

The trial was designed by the local Chamber of Commerce, businesses, council and local police command working together and involved changes to traffic flow, temporary road closures and establishment of designated pick up and drop off points. The Sydney Business Chamber said:

*'A key challenge in developing and delivering the trial was the regulatory and operational delineation between taxi and ride share services. To accommodate the regulatory and operational divide two different pick up and drop off points had to be established, one for taxis and one for ride share. Further, this separation of services meant that there were two different pathways for approval (Council approved locations for taxi ranks but not ride share), additional local infrastructure were required ... and additional personnel (Police and Council) cost were required to manage patrons at night ... the trial was discontinued after six weeks as the ongoing costs of managing were too prohibitive.'* (p 2-4)

Uber highlighted examples of local councils that have recommended the introduction of more 'No Parking' zones and extending the operating times of these zones to help provide additional pick-up and drop-off locations in high-demand areas (North Sydney Council) or adding more customer friendly wayfinding (Northern Beaches Council), and then called for:

*'State government, local governments and industry work together to enable safer, more efficient pick up and drop off zones for ridesharing. This includes developing the necessary signage and proactively identifying appropriate kerb space, particularly around transport hubs and emerging precincts.'* (p 21)

Designated airport pick-up and drop-off zones also provide safer access points for the general public and are able to be accessed by rideshare services. Some taxi operators have called for greater access to taxi zones and have raised concerns about taxi zones being removed in some LGAs (NSW Taxi Operators and Drivers Association submission, page not numbered).

The review also notes Uber's call for the removal of regulatory barriers which prevent rideshare from playing a larger role in supporting the transport task at major events and airports. Uber noted that in 2018:

*'the NSW Point to Point Commission imposed a new condition of authorisation for Booking Service Providers which does not allow bookings to be made after a vehicle has already stopped at the place where the passenger is to be picked up.'* (p 23)

The effect has been that Uber is unable to use its PIN-matching technology at major events and airports in NSW, which enables a rider in a certain geographic area to order a ride share vehicle, receive a PIN and wait in a pick-up zone for the next available vehicle, after which they can verify their ride with the driver before their trip starts. This technology is used to support major events in Victoria.

The review understands that this arrangement is not permissible under the current P2P regulatory regime as its operation is deemed to effectively have drivers 'ranking', which is prohibited for hire vehicles and infringes taxis' exclusive rights to the rank and hail market. It appears that this is a case of new technology enabling an efficiency and convenience that is stretching current thinking on 'how and when is a booking made' and perhaps more specifically 'when is it finalised'.



It is important to note that this determination has been made in the context of the current restricted supply of taxis and the high cost of taxi licences. If this review's recommendations relating to lifting the restrictions on the supply of taxi licences are implemented, policy makers may take a different view about such technology and the benefits it can deliver for customers and those managing infrastructure at airports and major events.

Many involved in this review – from industry, community and business – spoke about how the efficiency of booked services is eroding the rank and hail market advantage of taxis as booking and tracking technologies mean a hire vehicle can arrive almost instantaneously the booking is made. Similarly security and safety features which are now only required for taxis are becoming much cheaper to install and are standard features for a number of booking service providers.

In view of these developments, this review welcomes the statutory review of the P2P Act which is due to commence next year. It provides an important opportunity to consider again the distinction between booked and unbooked services and the extent to which the regulatory requirements for each remain fit for purpose. A clear objective of the Taskforce was that the regulatory framework not hinder the application of technology to service delivery models. In the interests of customer outcomes and safety and the efficient operation of transport services more generally five years on from the Taskforce that concern should remain a paramount consideration for the statutory review.

Some members of the taxi industry expressed the view that hire vehicle drivers are illegally plying or standing for hire in contravention of the P2P Regulations (specifically clause 84(a) which is described above) leading to congestion and inappropriate driver behaviour on some local roads, and that this contravention is not being enforced. The Taxi Council submitted that, in its view:

*'to comply with regulation 84(a) a Rideshare vehicle and its operator are to be located on a private property when logged into the app. Once they receive a booking the operator and vehicle are to proceed to pick up the passenger and then drop them off at the requested location. Once the journey has been completed the operator and vehicle are to return to private property to receive their next booking. A rideshare operator and vehicle that is logged into the app on a public road without a booking is in contravention of regulation 84(a)'. (p 44-45)*

Similar interpretations of this regulation were conveyed by other taxi stakeholders including Manly Warringah Cabs (p 5) and the Australian Taxi Drivers Association and Taxi Drivers Inc (no page number).

The review is advised that TfNSW is confident this is not the correct interpretation of clause 84, which it says does not prevent a hire vehicle from traveling or stopping on a public road, either while delivering a booked service or waiting for a booking to be made, as long as the vehicle is not 'plying or standing for hire'. 'Plying or standing for hire' is generally understood to mean the particular vehicle is presenting itself as available to the general public. This is not the case where a hire vehicle accepts a booking on an app while driving around or parked on a street where the intending passenger is not able to directly approach the vehicle to initiate the hiring.

This would seem to be a matter of legal interpretation. Nevertheless TfNSW may wish to consider if further clarification with industry about this may be appropriate.

### ***Access to kerbside space needs further consideration***

All point to point transport customers should have access to safe pick-up and drop-off points at the start and end of their journey. Taxi ranks provide safe kerbside access for some customers, and more effort is needed to enable safe access for booked services when picking up and dropping off passengers, particularly in busy urban areas.

However, the review acknowledges that kerbside space is a finite quantity and that more dynamic usage is required to ensure access to those who need to use it. Technology has the potential to enable more dynamic access arrangements for all road users in the future.

## 7.5 Compulsory third party insurance

This section discusses ongoing industry concerns, particularly for taxis, and the reforms that have been implemented for point to point services in relation to their insurance costs. It is noted that the reforms are now being examined by SIRA with a final resolution anticipated in 2021.

### Recommendations

As recommended by the Taskforce in 2015, the review recommends that:

17. SIRA finalise as soon as possible the changes to the framework for establishing CTP insurance cover for point to point vehicles that acknowledges the increasingly flexible use of vehicles for point to point transport services and rewards safer behaviours.

### Background

The P2P Regulation 2017 sets out the safety standards for vehicles and drivers as well as requirements in relation to insurance, provision of information to hirers and notifiable occurrences. CTP insurance, personal injury insurance required before a vehicle can be registered, is within the authority of the State Insurance Regulatory Authority (SIRA).

### Reforms to date

The Taskforce considered a range of issues concerning insurance for the emerging point to point transport industry. The NSW Government supported all three Taskforce recommendations relating to insurance, namely:

- releasing the review of profits and competition in the CTP insurance market (SIRA)
- requiring all point to point vehicles to have a third party property damage insurance policy, and
- that the Government review CTP insurance for point to point vehicles ‘in recognition of the more flexible use of vehicles across the current classifications, to consider a system that better rewards safer behaviours’ ([Taskforce 2015, p.9](#)).<sup>126</sup>

SIRA started a new CTP motor vehicle insurance scheme for the point to point industry in 2016 under the *Motor Accident Injuries Act 2017*.

The NSW Government recently made a submission to the Inquiry into the operation of the P2P Act ([NSW Government 2020](#))<sup>127</sup> which is currently being undertaken by the NSW Legislative Council Transport and Customer Service Committee. That submission reported on SIRA’s reforms to CTP insurance noting the reductions in premiums for taxis. The submission noted that:

*‘From 1 April 2018, taxis were also able to access premiums calculated on distance travelled, reducing premiums further for taxis that use the roads less. At the same time, larger more established rideshare companies who carry out more than 10,000 trips annually pay additional premiums on behalf of their drivers for when they are providing a passenger service.*

*As at April 2020, the average metropolitan taxi premium has reduced from \$7,881 pre-reform to \$3730 which is a saving of \$4151. In addition, the country taxi premium has reduced from \$4176 to \$2502, a saving of \$1674.*

*The data collection mechanism that the CTP insurers use to calculate the payable distance based premiums is different between ridesharing vehicles and taxis because the industry was technologically very different at the time this was implemented.*

*This has resulted in insurers having to implement and manage dual systems, which is costly and in some cases has resulted in increased late payment of premiums and barriers to some vehicles owners being able to access cheaper premiums. SIRA is working with the industry and the insurers to try to resolve these problems.*

*The purpose of CTP insurance is to protect injured people by insuring a vehicle's owner or driver against liability if they cause the injury or death of other road users. It is required in all Australian states and territories.*

*Taxi premiums are higher than other passenger vehicles because they are more likely to have an accident in which they are at fault. For comparison, as at April 2020, the average premium for a metropolitan class 1 passenger vehicle is \$514 compared to \$3730 for a metropolitan taxi. This is largely because metropolitan taxis have 12 times the claims frequency of metropolitan passenger vehicles.*

*Early data for rideshare vehicles is that they are likely to be around three times the claims frequency of passenger vehicles, but it is too early to know what the average claims costs are likely to be and whether the claims frequency will evolve as more data is gathered.' (p 35)<sup>128</sup>*

## What the review heard

The cost of CTP insurance, and particularly the differential costs for taxis and rideshare, was an issue of major concern for a very large number of participants in this review. It was raised by service providers in consultation sessions and also in written submissions.

The Taxi Council called for reform of the CTP insurance scheme to ensure that costs for taxis are equivalent to rideshare premiums, noting:

*'The imbalance of CTP Costs where Taxis are still paying over \$5,500 in Sydney Metropolitan District, and over \$3,000 in Country & Regional NSW. Rideshare Providers are in a Class 1 category, paying as low as \$500 for their Premiums. The opt in collection method for Taxis, still requires a large upfront payment to initiate the policy, whereas the Rideshare model only requires 10c/km for kilometres that are engaged' (p 22)*

Some rideshare providers also raised concerns about current insurance arrangements. Ola submitted that:

*'CTP places a large cost burden on the industry and subsequently on consumers. While we acknowledge the need for CTP, we believe the system needs to change to adequately reflect the real risks and to remove both double-dipping and price gouging by the insurance sector.'* (page not numbered)

## CTP insurance reforms need to be finalised

The review understands that current arrangements are transitional and will end on 1 December 2020 (SIRA 2020)<sup>129</sup>. SIRA presented a range of future options to the point to point transport industry in its 2019 options paper, including moving away from distance-based premiums. It is understood that a future solution is still under consideration. In finding a future solution this review encourages SIRA to consider the impacts that the recommendations of this review, if accepted, may have on the operation of passenger vehicles, in particular taxis. It could be expected with uncapped supply of taxis that more flexible use of vehicles for taxi services may eventuate as networks and operators expand their fleets to respond to high and low demand periods.

The review notes the reduction to average premiums for taxis and that rideshare providers are paying additional premiums, but urges SIRA to finalise its CTP insurance reforms as quickly as possible.

## 7.6 Other matters raised by industry

A major objective of the post 2015 reforms was to create a level playing field for like services. The government removed restrictive regulations for services booked by customers by removing unnecessary red tape which had been adding to costs and stifling innovation. All booked service providers are subject to the same safety standards – the playing field has both been levelled and opened to innovation.

Previous chapters in this section have addressed the additional controls that continue to apply to taxis. Ending control of taxi licence numbers, with the associated removal of the deadweight burden of servicing the scarcity value of licence plates, along with a changed approach to taxi fares, will remove much of the remaining additional cost burden on taxi operators.

The sections on transport disadvantage, access to roads and kerbside infrastructure and insurance address other level playing field issues.

This section notes additional matters raised through the course of this review, in particular, regulatory duplication, compliance concerns, and ‘rogue operators’. While some are beyond the review’s terms of reference, it is appropriate to acknowledge the genuine concerns expressed by participants, and to encourage NSW Government agencies including TfNSW and the Point to Point Transport Commissioner to consider how best to investigate and address genuine issues.

### Recommendations

The review recommends that:

#### 18. TfNSW and the Point to Point Transport Commissioner

- introduce a streamlined approach for driver medical requirements for those who work across more than one of the point to point transport, community transport and bus sectors, and
- consider how they can better coordinate timing of their audits of service providers

### Perceptions of impact of reforms to date

In a regulated environment, particularly where the regulated community needs to invest time and money to ensure it operates within the law, it is unsurprising that those who comply are greatly concerned by anything that looks like non-compliant behaviour by others. Where the objective of the regulation is to protect public safety, the possibility of non-compliance presents risks to the community at large.

Where related or overlapping regulatory schemes exist, members of the regulated community may also have concerns about duplication of effort to achieve compliance with all relevant schemes, or else be concerned that different requirements mean that people providing what look like similar services may be subject to inconsistent obligations.

During the course of this inquiry, particularly in consultations and written submissions, the review heard many concerns of this nature, falling mainly into three categories: duplication or inconsistency of regulatory regimes; non-compliance with particular requirements by persons otherwise operating within the regulatory framework; and ‘rogue’ operators, acting completely outside the regulatory framework.

### Duplication and inconsistency – driver medicals and audits

A number of community transport providers became authorised booking service providers under the P2P Act. This is because they offer passenger service for a fare in a vehicle seating 12 or fewer adults. Many of them operate mixed fleets and matters relevant to the operation of these larger vehicles, including driver authorisation, are covered by the passenger transport legislation. Community transport providers also have to comply with contractual requirements under their arrangements with TfNSW.

The review heard that these multiple schemes can create problems of duplication. Community transport providers from many parts of the state were particularly concerned about the need for their drivers to go through multiple and different medical checks to satisfy each of the schemes. Many of their drivers are

volunteers, or from older age groups, so adding extra visits to the doctor (including medical specialists on some occasions) and other medical facilities for assessments can be a real disincentive for drivers to continue to provide their services. Some providers reported that they felt an obligation to assist with the costs of such visits, and resented duplication of such costs.

Constructive proposals were made about how to address this, including by aligning requirements or adopting an approach whereby satisfying the standard under one set of regulations can be taken to be satisfaction of the other. TfNSW and the Commissioner should design a more streamlined approach that takes these issues into account.

Likewise, community transport providers believed the timing of audits by the Commissioner and TfNSW should be better coordinated.

### **Allegations of non-compliance, particularly as to safety**

As the NSW Government observed in its response to the Taskforce:

*'The current prescriptive regulations increase the cost of delivering services and limit the ability of existing industry participants to innovate in response to customer demand. Under the changes, all industry participants will be obliged to ensure their services are safe. The law will assign clear accountabilities to ensure services meet the safety and security standards. Providers will have more flexibility in making their services safe.'* (p 2)<sup>30</sup>

Removing prescriptive detail from a regulatory framework can be unsettling for those who are used to it. Many will stick to the old ways of doing things, and lack confidence that others who are doing things differently are meeting the same standards.

For example, it is clear that many taxi operators, particularly outside Sydney, do not believe that rideshare operators can or do offer safe and secure services. When pressed for examples, participants generally referred to activities they themselves undertake that they do not observe or believe are possible in a rideshare context, such as meeting drivers face to face before a shift to ask and make observations about their level of fatigue.

What may not be appreciated is that innovations in systems and technology can provide alternative and very effective ways for service providers to manage these kinds of risk. Technological advances hold great promise in providing cheaper and more effective ways to deliver the safety and security standards appropriate and necessary to ensure the safety of vehicles, drivers and passengers. The way this technology is deployed and applied may not always be apparent to those not familiar with these systems.

All participants in the industry are encouraged to explore these alternatives and consider how they might use them in their own service model. To the extent possible, government organisations like TfNSW are encouraged to monitor technological developments and to make the point to point transport sector aware of the opportunities.

It is the role of the Point to Point Transport Commissioner to audit safety management systems put in place by individual service providers, and to assess compliance with the standards. The Commissioner assists the industry in achieving compliance in many ways.

Industry participants highly value the online Driver and Vehicle Dashboard (DVD) developed and maintained by the Commissioner to assist authorised service providers to meet their safety obligations. It provides up-to-date information on driver eligibility and vehicle registration status. Positive suggestions were made for how this tool could be further enhanced, including expanded functionality to provide alerts to any changes or updates since the last time they logged in, making the process of checking driver and vehicle matters more efficient for regular use.

Industry participants also raised difficulties in managing drivers operating across multiple platforms and cited technologies in use in New Zealand and Queensland that assist with this. They suggested that it might be possible to enhance the DVD with similar functionality to help them manage drivers who work across multiple platforms and networks, particularly in relation to driver fatigue. The review encourages the Commissioner to consider whether and how to give effect to these proposals.

## Rogue operators

The post-2015 reforms 'deregulated' booked services, but did not leave them totally at large to act as they pleased. Everyone who provides a passenger service within the meaning of the P2P Act has the duty to do what they reasonably can to ensure the health and safety of vehicles, drivers and passengers. These obligations apply regardless of authorisation or other self-identification to the regulatory authority.

Authorisation as a booking service provider or a taxi service provider establishes that they are the main duty holder. It enables the regulator to identify who the service providers are, so that requirements of the regulatory system can be communicated to them and followed up by compliance officers.

Many participants in the review claimed that passenger services were being provided by rogue operators who have never sought authorisation or identified themselves to the regulator. They may be ignorant of the law's existence, or ignorant as to what is permitted and what is not, or they may be flagrantly flouting their obligations. It was reported to the review that these operators offer their services through social media or word of mouth, or by illegally standing or plying for hire. Lacking the expensive overheads of complying with safety and security standards, under-insured, avoiding tax, and mostly working to supplement other income, such operators can readily undercut authorised and lawful services.

A member of the public using one of these services cannot be guaranteed any of the protections offered by the P2P Act. A 'rogue' is unlikely to offer the safety and security features that would be expected of authorised service providers. In the event of an accident or other incident, the driver and vehicle may be difficult to trace, and would likely be under-insured in any case.

Monitoring compliance with the P2P Act, and investigating and pursuing alleged non-compliance, is the role of the Point to Point Transport Commissioner. The Commissioner is encouraged to consider innovative approaches to compliance that would assist in identifying and pursuing such 'rogue operators'.

## Strengthening safety accountability of all participants

Safety aspects of the regulatory framework do not fall within the terms of reference for this review, but it is appropriate to note a concern raised by a number of participants.

As previously noted, under the P2P Act, passenger service and booked service providers have a primary duty of care to ensure the safety of their services. Service providers now have greater flexibility in how they ensure their safety obligations are met, as they are best placed to identify, manage and mitigate risks associated with their services.

This primary duty of care applies to all service providers, not just those who are authorised. In the taxi context, this means that taxi operators also have responsibility for the safety of their services, even though they are not required to be authorised if they are affiliated with an authorised service provider (usually referred to as a network). Drivers also have safety responsibilities.

However, while these general duties are held by all participants, under the regulations specific safety standards are assigned to different participants. Consequently, some networks indicated to the review that they believe they bear most of the burden and the risk, and have difficulty getting their affiliates and the drivers to cooperate in achieving compliance. These networks thought that affiliated operators should have more direct responsibility assigned to them. Areas of difficulty include collecting the PSL, impractical safety standards, and ensuring drivers meet necessary standards. The difficulty for networks lies in the fact that they usually do not have a direct relationship with drivers, it is the operator that interacts with the driver on a day-to-day basis.

The review considers this to be a matter appropriate for further investigation.

## Driver conditions

Another issue that does not fall within the terms of reference is the nature of the relationship between drivers and the passenger service provider and/or booking service provider, and the income and working conditions of drivers.



Other than owner operators who drive their own cab, most taxi drivers in NSW are bailees. They are not employees. They bail the cab from the owner and take it out on the road to ply for business, sharing the incoming revenue with the owner. There are different methods for this sharing of income but generally speaking, the more fares a driver collects, the more income he or she makes after paying in the operator's share.

Some participants in the review expressed concerns about the impact on taxi driver income of the competition from rideshare services. The Australian Taxi Drivers Association noted that the influx of rideshare drivers at certain times:

*'dramatically decreases Taxi driver incomes on the weekday night and weekend night shifts but pay ins have not been adjusted to reflect this change in their competitive environment' (p 9).*

Operators were concerned that as a result it was harder to attract drivers to the taxi industry.

In the booked services context, the employment status of rideshare drivers is even less certain. The Rideshare Drivers Association of Australia (RSDAA) observed that:

*'The low priced fares rideshare platforms promote were achieved, to somewhat a significant degree, by overlooking essential worker protections.'* (p 4).

The RSDAA also raised concerns about the impact of 'unfair deactivation practices', claiming:

*'Rideshare drivers will often signup to multiple Booking Service Providers for security and to protect themselves and their earnings against unfair deactivations caused by unjustified complaints from customers. This leads to the temptation of driving longer hours due to the low earnings of rideshare drivers. This has led to low morale within the Industry which reflects upon the industry as a whole.'* (p 3)

Drivers signing up to multiple platforms and driving long hours can create risks for the safety of both passengers and drivers, particularly in relation to fatigue. The review heard that there are possible technological solutions to this issue. Ola reported that:

*'In New Zealand, the NZ Transport Authority enforces the use of logbooks, including electronic journals. Ola would like to see a similar requirement rolled out in New South Wales and Australia to drivers across apps.'* (page not numbered)

Driver fatigue is further addressed in relation to the discussion on the Driver Vehicle Dashboard ([above](#)).

## Quality and related standards

Some taxi industry representatives called for the reinstatement of regulatory requirements that were removed as part of the 2015 reforms, including vehicle age limits and uniforms for taxi drivers. In relation to the first, there was concern the removal of vehicle age limits had lowered the standards of the industry (Taxi Council submission, p19-20). On the latter, they believed they needed the force of regulation to impose a requirement for uniforms on their drivers.

The much improved customer satisfaction ratings for taxis since the reforms lead the review to conclude that the Taskforce was correct in recommending that quality requirements such as driver presentation are best left to businesses to determine. Similarly the review notes it is not necessary to regulate for vehicle age, because under the new safety regime service providers understand they are now obliged to ensure their vehicles meet the regulated standards for safety and that they each must determine how to do so. There is nothing to stop industry participants setting vehicle age standards for their own services and indeed two of the major industry participants in NSW – Uber ([Uber 2020](#))<sup>131</sup> and 13cabs ([a2b Australia Ltd 2019](#))<sup>132</sup> each impose vehicle age limits.

## 8 Industry assistance

At the time the NSW Government announced its response to the 2015 Taskforce Report, it introduced an industry adjustment assistance package to assist traditional industry participants to adjust to the reforms.

This section, in the first instance, considers the reforms to date and the impact on licence owners. It concludes that the assistance provided so far has cushioned the impact of the deregulation of booked services and the legalisation of rideshare, and that it is difficult to mount a case for further assistance absent any further changes to taxi licencing.

Secondly, it examines the expected impact of the further structural adjustments recommended by this review on customers and industry participants. Most should benefit from those changes, through potentially reduced fares (in the case of customers), reduced costs (for drivers and taxi operators) and greater flexibility (for taxi service providers to meet changes in demand and so better compete both on price and service). This is not the case for those who own ordinary licences. The value of these licences would be extinguished by the proposed changes and, because of that, the review concludes that if its recommendation to deregulate taxi licence supply are accepted there is a case for further assistance. This review proposes that such assistance should:

- reflect that long-term licence owners have received exceptional returns
- take account of the differences between the Sydney market and outside Sydney, with consideration given to those likely to be most detrimentally affected by the reforms
- recognise that investing in taxi licences is not risk free; investors must bear a significant degree of responsibility for the investment decisions they have made, particularly since 2009 when the Taxi Licence Determination process was established
- pass a test of ‘public reasonableness’ concerning the use of public funds for such assistance.

### Recommendations

19. The review recommends that a program of transition assistance for taxi licence owners be established that:
  - targets those most likely to have experienced substantial financial loss due to the date they entered the market while also placing onus on licence purchasers for risks associated with their investment decisions
  - recognises that country licence owners mostly operate the licence themselves
  - is structured and timed to consider impact on social security pensions and benefits and income tax liabilities for recipients.
20. A program of financial advisory and other counselling assistance for industry incumbents must be established as soon as possible to support them through a 24 month transition period following the further industry reforms recommended in this review.

### Background

The NSW Government chose not to adopt the 2015 Taskforce recommendation that it convert ordinary taxi licences to transferable annual renewable licences. The legal rights of licence owners did not change; they continue to be able to sell or lease their licence. The government also capped the number of licences in Sydney at 2015 levels during 2016-19, with only replacement licences released through the annual determinations during that period. The cap no longer applies but, due to the impact of restrictions in response to the coronavirus pandemic, TfNSW determined not to release even replacement licences this year.



The reason for capping licence numbers at 2015 levels was to provide time for industry to adjust to the reforms. In hindsight, it is evident these decisions worked against taxis' ability to compete with newer market entrants, a matter dealt with at some length in [Section 7](#). On the other hand, while licence transfer values dropped significantly, this approach and the retention of taxis' sole right to provide rank and hail services went some way to protect the income stream of licence owners, with lease values pre-pandemic continuing to earn a comparatively healthy return, especially for those who purchased a licence in more recent times following the reforms.

## Industry adjustment assistance package

The Taskforce recommended that the NSW Government provide transitional assistance to the owners of perpetual taxi licences, based on equity and hardship grounds; financial assistance to other industry participants was not recommended. The Taskforce view was that:

- a significant level of transitional assistance be provided to current owners of taxi licences to partially offset the expected reduction in income from the licences resulting from converting ordinary taxi licences to transferable annual licences,
- a hardship fund be established to provide assistance to licence owners especially adversely affected, such as those at or near retirement with few other assets or sources of income, and
- a panel be established to assess any applications for assistance from the hardship fund and make determinations about any assistance to be given to applicants.

At the time the NSW Government announced its response to the Taskforce, it also announced it would establish an industry adjustment assistance package valued at up to \$250 million for the taxi and hire car sector. The package was to be funded by a Passenger Service Levy (PSL) of \$1 on every point to point trip in both taxis and hire vehicles (or \$1.10 including GST where the levy is passed on to the customer). The levy commenced on 1 February 2018 and, prior to the coronavirus pandemic, was collecting approximately \$5-6 million per month.

The Taxi and Hire Vehicles Industry Assistance Panel (the Panel), comprising government and taxi industry members, was established under the Act to oversee the industry adjustment assistance package. Its functions differed according to the schemes within the package but variously included determining procedures, recommending criteria for payments, advising the Minister with respect to the disbursement and use of assistance funds and making recommendations about payments to particular applicants, or classes of applicants, at the request of the Minister.

The industry adjustment assistance package was to help traditional industry participants adjust to the changes and to address particular cases of hardship.

## Transitional Assistance Payment Scheme

Even though the NSW Government rejected the taxi licensing changes proposed by the Taskforce, it did provide assistance to the owners of ordinary taxi licences under the Transitional Assistance Payment (TAP) Scheme to assist them adjust to the reforms.

At the time, most taxi licence holders owned one or two licences; of the 7,285 licences in 2015, 4,098 owners each held one licence and another 566 held two licences; 332 owners held three or more licences comprising a total of 2055.

Under the TAP Scheme, holders of eligible taxi licences could apply for a payment of \$20,000 for each eligible ordinary licence up to a maximum of two eligible ordinary licences for each owner/owners. This approach reflected that the TAP package was to assist small-scale investors and not those with a larger number of licences – the former group representing the majority of licence owners.

To be eligible for a TAP payment, a person must have been a holder of an eligible taxi licence. Eligible licences included 'ordinary' taxi licences, i.e. licences that were transferable (or tradeable); short term or annual licences (which may not be traded) were not eligible. Further to this the taxi licence holder must have acquired their eligible licence prior to the time the Taskforce was established and have continued to hold that licence up to the date of the TAP scheme payment.

The TAP Scheme distributed over \$94.2 million across two phases to more than 4,000 eligible taxi licence holders, representing 99 per cent of possible applicants.

As part of a second phase of the TAP Scheme, the Minister also approved payments of transitional assistance to be made to certain eligible taxi training schools that provided training courses to the taxi industry. To be eligible, a taxi training school must have been a registered training organisation (as defined in the *National Vocational Education and Training Regulator Act 2011*) and, immediately before the date of release of the Taskforce Report, have been carrying on the business of providing training courses approved by TfNSW to taxi drivers and/or taxi operators. In addition, the taxi training school must have been able to demonstrate that they were detrimentally affected by the changes made to the regulation of the taxi industry – \$1.2 million was provided to taxi training schools.

The amount of transitional assistance paid to each eligible taxi training school was determined by TfNSW in accordance with guidelines issued by the Panel.

### **Additional Assistance Hire Vehicles Payment Scheme**

Up to \$10 million was allocated to the Additional Assistance Hire Vehicles Payment (AAHVP) Scheme for eligible hire car licence holders. These payments were made in recognition of the fact that changes to the regulation of hire vehicles meant that hire car licences were no longer required. As a consequence of these changes, holders of 150 transferable hire car licences lost their transferable interest in that licence.

Eligible hire vehicles licences were transferable (or tradeable); holders of short term or annual licences (which may not be transferred) were not. Some \$8.3 million was distributed under the AAHVP Scheme to 99 successful applications for 150 eligible hire vehicle licences.

### **Additional Assistance Payment (hardship) Scheme**

To apply for a payment under the Additional Assistance Payment Scheme (AAPS), a person must have been involved in or connected to the taxi or hire car industry as at 28 June 2016 (when the new point to point transport law was assented). To be eligible, a person had to demonstrate they had been detrimentally affected by the changes made to the regulation of the taxi and hire vehicle industries. The AAPS was not intended to be a compensation scheme, but rather provide support to those who would be vulnerable to financial hardship due to impacts of the reforms.

The Panel determined procedures for AAPS applications and made recommendations to the Minister about the disbursement of AAPS funds. The Panel identified particular industry segments that were potentially most detrimentally impacted by the reforms and that may be the most vulnerable to financial hardship.

The Panel recommended (and the Minister approved) the income thresholds set by the Australian Government's Department of Social Services to determine eligibility for the aged pension to be used as a guide to determining where an applicant for the AAPS was in financial hardship.

The thresholds recommended by the Panel were:

- a gross income of less than \$79,050 with net assets of less than \$848,000 for a couple who owns their own home;
- a gross income of less than \$51,667 with net assets of less than \$564,000 for an individual who owns their own home;
- a gross income of less than \$79,050 with net assets of less than \$1,055,000 for a couple who does not own their own home their own home; and

- a gross income of less than \$51,667 with net assets of less than \$771,000 for an individual who does not own their own home.<sup>133</sup>

In total, 1,258 applications for the AAPS were received. Of these, 531 received an additional assistance payment.

The Panel also recommended (and the Minister accepted) that applicants whose income was above the approved income thresholds by less than 15 per cent (i.e. up to \$92,000 for a couple and \$60,000 for an individual) and whose assets were above the approved thresholds by less than 30 per cent be considered (depending on their other circumstances) for a possible fringe payment of \$26,000. The Panel considered that fringe payments would allow a tolerance for determining an applicant's exact income or net wealth (particularly where the valuation of real estate assets was concerned); 91 applicants received a fringe payment of \$26,000.

Because AAPS payments were determined on the basis of financial hardship, i.e. effectively means tested, payments were counted as income for the purposes of eligibility for Australian Government pensions and benefits. TfNSW was denied its request for an exemption for the AAPS from Centrelink's income test. Consequently, AAPS applicants were encouraged to seek advice from an accountant, legal representative, or other specialist to determine what impacts the payment of additional assistance may have for them. To provide greater flexibility, applicants were also given the choice to receive AAPS payments in a lump sum or in three equal instalments over three financial years. Approximately 63 per cent of AAPS recipients elected to be paid in instalments.

TAP Scheme payments (\$20,000 per eligible taxi licence for up to two licences discussed above) were taxable but did not count as income for social security purposes because these payments were made to all taxi licences holders without regard to their individual financial circumstances

## Other assistance

As part of the implementation of the industry assistance schemes, \$4 million was provided for support through Business Connect for business advice, targeted workshops and other engagement activities to support businesses impacted by the reforms. Under this arrangement from 1 May 2016 to 30 June 2019, 2,166 businesses received 10,785 hours of one-on-one advisory support and/or attended Business Connect events.

While this arrangement formally ended on 30 June 2019 (coinciding with the completion of the AAPS), Business Connect services continue to be available to all eligible NSW businesses, including taxi and hire car businesses, until the end of the Business Connect program, currently 30 June 2021. This was confirmed in email advice in July 2019 to those who received support under the point to point industry assistance package.

## Reforms to date

As noted, the Act preserved the ordinary licences issued under previous regimes. Owners continue to be able to trade the licence on the open market, to lease and sublease the licence, or to pass it on through inheritance. Before considering how the reforms impacted taxi licence transfer values it is important to understand the taxi licence market generally, various regulatory changes, and how taxi licence values have varied over time.

It should be noted that licence transfer values are published, previously on the Roads and Maritime Services website and now on the Point to Point Transport Commission website. The following discussions on licence values draw on this data.

The value of a taxi licence reflects the scarcity created by the restriction on the number issued. In a market dominated by investors, as in Sydney, this is reflected in the lease fees that can be earned which in turn depends on how profitable it is to operate a taxi.

Outside Sydney, the market is not homogenous and transfer prices elsewhere in the state have not demonstrated any particular pattern. To the extent any trend can be identified, values seem to be influenced by geography, the size of regional centres and towns, population density, the nature of the local economy, with coastal areas and tourist locations having commanded the highest prices. A country licence is typically purchased as a necessary capital investment in a taxi business, or as a job/a way to secure a livelihood.

The Taskforce noted that historically supply of taxis had not kept pace with demand and that this was reflected in the then high licence values in most of NSW ([Taskforce 2015a, p 39](#))<sup>134</sup>.

In this sense, a taxi licence is a financial asset (like a bond or shares) and like any investment, its value can be impacted not only by supply restrictions/regulatory change but also demand and the buoyancy of the economy as well as factors that may be related to pure market speculation.

Steps taken by successive governments since the 1990s have impacted the value of licences. While policies in the earlier part of this period tended to result in higher values, after the 1995 Competition Principles Agreement (CPA), many changes were directed at increasing supply or were prompted by external challenges (most recently, the emergence of rideshare), with consequent downward pressure on taxi licence values. As well as having an immediate impact on taxi licence values, these steps should have clearly signalled to the industry that it could expect ongoing reform rather than assuming the high licence value model to be 'locked in'.

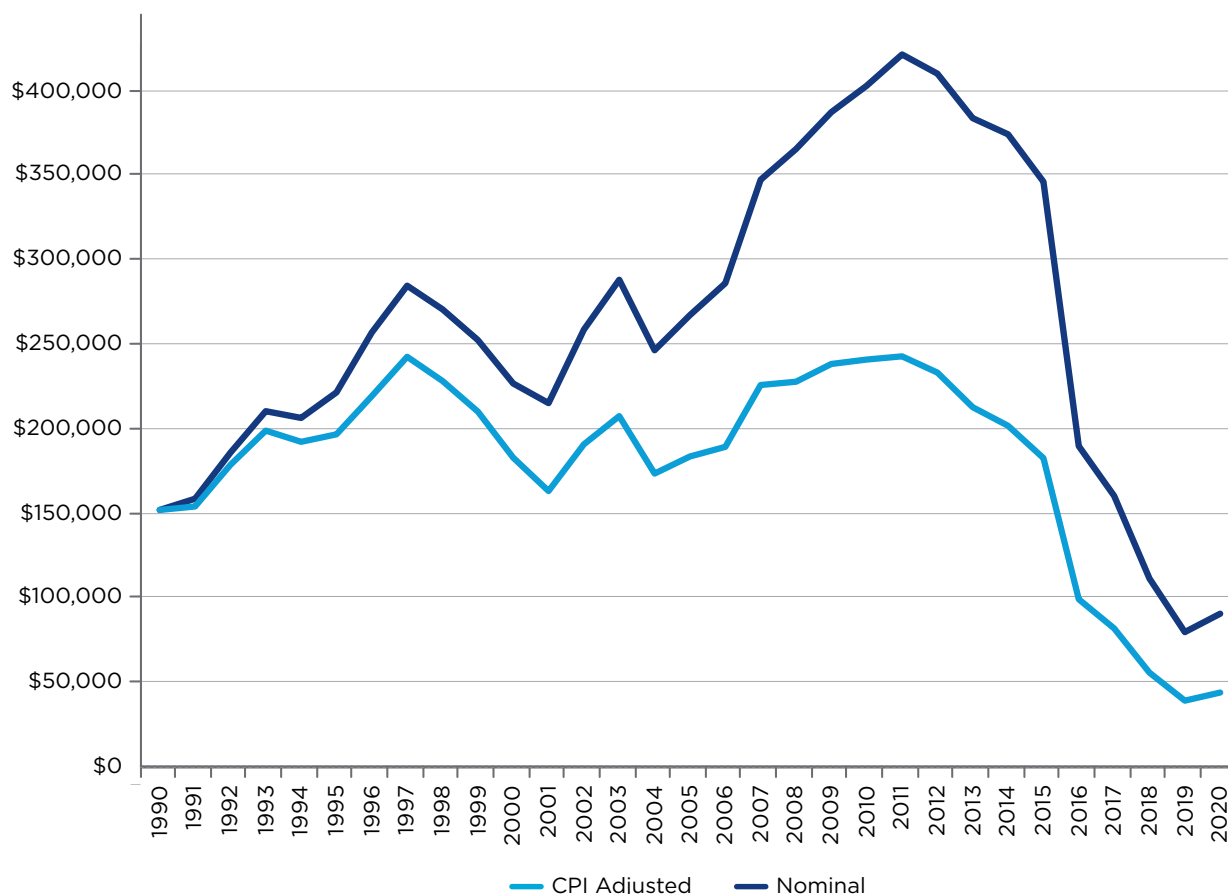
Relevant events since 1990 include:

- The *Passenger Transport Act 1990* formalised passive investing and made licences available on demand at market value. The resulting high licence prices deterred people from purchasing them and from 1990-97 the average price of licences increased from around \$150,000 to \$300,000
- The 1995 CPA identified taxi and hire car regulation as an area of reform, with each state, including NSW, undertaking reviews of their regulatory frameworks during the late 1990s
- The issuing of several hundred licences prior to the 2000 Sydney Olympics, and in the years that immediately followed as part of reforms to hire car licensing. This led to a short-term drop in taxi licence values, close to their value in 1990
- From 2009 the government started to release annual renewable licences in Sydney through the annual determination process. The aim of this reform was to ensure the supply of taxis responded more closely to growth in population and in passenger demand for taxi services and, among other things, to reduce barriers to entry and to encourage competition
- Despite the 2009 reforms, licence values reached their highest point at \$430,000 in 2012. Chauffeur-driven Uber Black services began in Sydney in November 2012, and since then licence values have not exceeded \$400,000. Uber X, which allows any car to be used for ridesharing, began in March 2014. The licence value was then \$375,000
- The establishment of the Taskforce in July 2015 and the NSW Government response to its recommendations in December that year.

## Impact of the reforms on licence values

In the month prior to the Taskforce being established licence values in Sydney stood at \$333,000. They dropped to \$220,000 in December 2015, the month the Taskforce report was released and ridesharing was legalised. By February 2018 Sydney licences traded for \$170,000, following which prices fell further. Since December 2018, average transfer values in Sydney have been relatively stable: the average transfer value in December 18 was \$92,500; it dipped to \$71,250 in July 2019, recovering to be just over \$100,000 since February 2020 – see [Figure 17](#).

**Figure 17. Average transfer values for Sydney ordinary unrestricted taxi licences**



Source: Data from former Roads and Maritime Services and Point to Point Transport Commission

In Sydney about 80 per cent of licences are owned by investors, who typically lease the rights to operate the licence to taxi operators for an annual lease fee. Licence lease values in Sydney in July 2015 were around \$27,000, whereas the average price of successful licence tender bids (assumed to reflect current annual lease revenue, given the licence fee is payable annually) has been between \$13,000 and \$15,000 per year since 2016, across four separate tender processes. There is no comparable information source for lease values outside Sydney, where leasing occurs much less frequently.

Sydney lease values up until the impacts of coronavirus restrictions (based on the proxy of successful tender bids) resulted in a not-unfavourable investment return of up to 20 per cent for those who recently purchased licences.

Noting that rideshare was effectively legalised from December 2015, the drop in Sydney average transfers prices to \$170,000 in late 2017 could be attributed to that change. In the absence of any further regulatory change since then, the further drop in value is more likely due to the impact of market dynamics with rideshare rapidly gaining market share.

The impact of the reforms on licence values outside Sydney has been more variable.

[Figure 21](#), included later in this report, illustrates the huge range in the peak licence transfer values across regional centres. It also shows the years in which regional locations recorded their maximum value trade. Of note is that for all locations in regional NSW the maximum trade value occurred prior to 2015, and since then where transfers have occurred, licence values have fallen below pre-reform maximum recorded transfers across regional locations.

In the larger markets of Wollongong and Newcastle where, like Sydney, rideshare is well-established, values have fallen significantly from approximately \$220,000 in 2013 to around \$30,000 in 2019.

The extent of decline varies considerably elsewhere – both between and within regional cities and towns. A recent transfer in one regional city was 30% below the maximum recorded (in February 2014) even though other recent local transfers were much lower; a June 2020 transfer in another location was 40% below the maximum recorded for the city; while in another the most recent transfer in May 2019 was 76% below the maximum recorded. There is no identifiable consistent pattern of decline in licence values in recent years. For example, since January 2019 five regional centres with populations over 25,000 have recorded transfers of \$130,000 or more.

Rideshare has entered a number of larger regional centres and coastal locations. While Uber announced it would be operating state-wide from 26 June 2020, most country operators consider community transport, courtesy services and “rogue operators” as their main competitors, at least to date. Most owners operate their licence, and its value will be tied to that of their business – the value of these is not so much defined by a lease payment, but rather a well performing business. There is also arguably a business goodwill aspect to their right to operate their taxis; the licence value is tied up with their brand awareness and recognition in their community.

As discussed in [Section 6.3](#), the Taxi Council submission reported survey data from a sample of Sydney taxis that shows a decline in the Sydney rank and hail market since 2014, with a 30 per cent decrease each year for the past two (2018-19). The data for a sample of country taxis suggest a more robust market. It demonstrates an increase from 2014-17 for booked fares (the majority of their business) followed by a decline since 2017 but at three per cent each year, a very modest decline compared with that in the Sydney taxi market (p 30).

Even where they are not competing directly with rideshare many country operators believe that the threat of it entering the market has reduced the value of their licence.

In particular, country licence owners and operators have argued to this review that the deregulation of the booked services part of the point to point transport market eroded the value of their exclusive right (vested to them by way of their taxi licence) to provide booked services more than was the case in the Sydney market. This view was consistently voiced by the more than 30 country taxi operators who participated in review consultation sessions. Those whose work is primarily booked trips have argued their licence has become worthless.

They also challenged the fairness of the assistance provided to traditional hire car licence owners as a result of the extinguishment of hire car licences (covering booked service only). They believe they should have been assisted with a similar ‘buy back’ of taxi licences, at least to the value of their booked work. However, this review notes that the 2015 reforms in themselves do not appear to have severely impacted the demand for taxis in most regional areas (especially those where rideshare is not yet well-established); largely, business is continuing on as usual. The impact has been mostly felt in the larger urbanised regional centres, including Newcastle and Wollongong, where rideshare established in the market earlier.

Some industry participants continue to express concerns about the impact of the reforms and the level of assistance provided through the industry assistance package. The most common complaints about the AAPS were that the approved thresholds were too restrictive, because they did not account for people experiencing financial stress because of their other debts and liabilities. A further complaint was that the AAPS did not provide for those still repaying a loan associated with the purchase of a licence. As such, 261 unsuccessful applicants claimed to have a taxi licence related debt.

This review believes it is difficult to mount a case for further assistance absent any further changes to taxi licencing, considering:

- the reforms to date
- that those reforms did not change taxi licencing meaning a taxi licence still retains a scarcity value, albeit much diminished
- the assistance provided so far to licence owners.



## What the review heard

Most individual licence owners, owner-operators and the Taxi Council called for government to deregulate taxi licensing supply (in Sydney) and buy back their licences for a fair and just value, in line with pre-reform prices (including Taxi Council submission, p 39). This position was echoed in almost every conversation with the many taxi operators and licence owners consulted during the review and is reiterated in written submissions from taxi industry participants.<sup>135</sup> As already mentioned above, country taxi operators were very vocal in their calls for a buy back during review consultations given their high proportion of booked work which was deregulated under Taskforce reforms.

Alongside this a much lesser number of respondents expressed views which reflected an appreciation of the need to consider a broader and more complex range of factors in shaping an assistance package for licence holders.

13cabs supported the concept of a government buy back, but in doing so expressed a more nuanced view:

*'Governments worldwide have struggled with managing the transition from a heavily regulated system which saw significant value attributed to the underlying asset, the taxi licence. In most instances, government (sic) have made once off payment to the licence holder as a form of compensation for lost revenue. In most instances, the licence holder was left disappointed and angry ... While 13cabs remains open to the full deregulation of licensing where licence holders receive compensation equivalent to the full value of the asset, we acknowledge that this is difficult to achieve fiscally and politically – despite the moral obligation to do so.'* (page not numbered)

One licence owner and driver responded to the review:

*'I suggest the only acceptable form of assistance is for the government to buy back all the taxi plates at a fair and just price. Let's say 90% of market value on whatever day Uber first started operating. Minus whatever assistance has already been given.'*<sup>136</sup>

Another licence owner operator was more modest in their request recommending that the NSW Government should:

*'deregulate, pay all plate owners an extra \$80,000 so they have received a minimum of \$100,000 for their licences.'*<sup>137</sup>

## The case for further assistance

In considering whether there is a case for further assistance, it is important to understand who stands to gain or lose from the further changes recommended by the review.

Deregulating taxi licence supply and fares as this review proposes, with licences available on request for an administrative fee, should deliver immediate benefits for customers. Removal of the expensive licence component from the operating costs of taxis should flow on in reduced fares in most circumstances and, with more taxis being better able to meet demand for rank and hail services, waiting times should decrease.

Drivers likewise stand to benefit from freeing licence supply. In the first instance, this should be seen in lower pay-in rates under bailment arrangements with operators. The Taskforce noted that any improvement in driver circumstances will depend on how quickly pay-ins adjust to the changing market circumstances; and that based on submissions from operator and licence owners and CIE research these respond relatively quickly ([p 118](#))<sup>138</sup>. Assuming price reductions so that taxi fares become more competitive with those of rideshare, consumer demand for taxi services should grow and driving taxis may become a more attractive proposition. With more taxis on the road and greater flexibility in their deployment, more of the lucrative peak-time shifts could become available to them, lifting drivers' earnings without necessarily expanding their working hours. The removal of the sizable licence fee may also result in drivers deciding to obtain a licence and operate it themselves.



Taxi operators would most likely also benefit from the recommended changes especially from the removal of the hefty licence lease fee from their operating cost model, or the capital cost of licences in the case of licence owner-operators. It should be more economically viable for operators to expand their vehicle fleets so they can better respond to peak time demand and feel less pressure to work their vehicles over double shifts most days to cover fixed licence fee costs.<sup>139</sup> Networks will be better able to readily scale up with additional taxis (and down when circumstances change), offer more competitive pricing and have greater ability to compete for customers through a more demand responsive offering, especially for the rank and hail market.

As for customers, substantial benefits from the proposed changes to taxi licensing should be realised by these taxi industry participants over time. Therefore, there would be no need to provide any financial assistance.

Under current NSW arrangements the continuing value of ordinary transferable taxi licences, albeit much reduced, is essentially a reflection of their scarcity due to the limits on supply imposed by regulation. The proposal to make taxi licences available on request for an administrative fee will effectively extinguish that value. This policy change will impact the financial circumstances of a significant number of people who own ordinary taxi licences and the issue of assistance for this group, quite rightly, must be considered. Before considering matters of relevance to further assistance in the NSW context, outlined below are approaches taken by governments elsewhere.

## Approaches elsewhere

The New Zealand government deregulated that country's taxi industry in 1989 as part of its restructuring of the country's industry in that decade (see [Section 5.4](#)). Quantitative controls on taxi numbers were removed without any financial assistance to licence owners. The value of licences though were much lower at \$NZ27,000 (\$A20,000) compared with NSW (Stutchbury 1992).

Western Australia and Victoria recently deregulated taxi licensing, as outlined in [Section 7](#). Each jurisdiction had to grapple with how to assist those most negatively impacted by the change in regulation reducing licence values effectively to zero overnight.

### Western Australia

Western Australia had a voluntary buy back, which followed an earlier assistance package, involving payment of \$20,000 for each metropolitan licence. Western Australia also had a hardship scheme. The buy-back amount offered varied depending on individual circumstances, the original price paid, how long it had been held for and how much monopoly profit<sup>140</sup> the plate had earned over time, subject to a floor offer as follows:

- \$100,000 for each Perth metropolitan Conventional or Multi-Purpose taxi plate
- \$40,000 for each Perth metropolitan Area Restricted plate
- \$28,000 for each Perth metropolitan Peak Period plate.

Transition assistance, hardship payments and outstanding fees were also deducted.

Country taxi licensees were not offered a buy-back payment because they were governed under different legislation where the term 'owner' was used in the context of the ownership of the vehicle only. Instead, eligible country taxi-car licence holders were offered up to \$10,000 per licence, capped at 10 licences to assist them to meet requirements under the new legislation. A Passenger Transport Levy (10 per cent of every fare to a maximum of \$10 per trip) was introduced to fund the buy back.

## Victoria

In Victoria, industry participants were supported by a financial assistance package which included \$332 million of transition assistance payments and a means-tested Fairness Fund.

For perpetual licence holders with metropolitan and urban licences, \$100,000 in transition assistance was paid for the first licence and \$50,000 for a second, third and fourth licences. Regional perpetual licence holders were paid \$50,000 in transition assistance for a first licence and \$25,000 for a second licence. Other values applied to country and fixed term licences.

Eligibility for access to the Fairness Fund was based on:

- a lack of current income or the loss of a future income stream that is significantly impacting on household spending capacity
- significant difficulty in meeting ongoing debt obligations related to the licence(s) held
- a lack of available funds to meet financial commitments.

Like NSW and Western Australia, Victoria established a levy (\$1) on trips taken in commercial passenger vehicles.

## Assistance: arguments for and against

There are many arguments for and against governments providing assistance to people affected by regulatory change.

Some licence owners argued during review consultations that a taxi licence is akin to legal property and that if the right in that property is diminished in value or extinguished by changes in government policy, they have a right to compensation on legal grounds. This review has not been able to find any evidence to support such a view about taxi licences and indeed the findings of other reviews and reports argue that this claim is weak ([Productivity Commission 1999, p 29](#)<sup>141</sup> and [Victorian Taxi Industry Inquiry 2012, p 239](#))<sup>142</sup>.

However, there are other grounds on which assistance to licence owners might be considered, and unsurprisingly arguments for and against providing such assistance. On the one hand a taxi licence is an investment and like any other, there are risks to that investment, including any economic or technological change that may affect its performance. Assistance is not routinely provided to people when other investments, such as superannuation or interests in other industry sectors such as retail, suffer because of market changes, or when government policy or regulation changes impact the value of those investments.

The counter view is that the NSW Government, through regulation, created a market for taxi licences both for investors and owner operators. Further, it has both participated in and benefitted from that market by way of issuing ordinary perpetual licences at market value – up until 2009 in Sydney and 2014 outside Sydney – and through the stamp duty earned on licence transfers.

It is also arguable that even when government ceased releasing ordinary perpetual licences, it has benefitted from the annual lease fees for the non-transferable licences it has released, such fees reflecting the market value of licences of the day while at the same time reinforcing the values of taxi licences in the market. Deloitte Access Economics reported in 2013 that following the introduction of reforms to the *Passenger Transport Act 1990* the NSW Government was the single largest lessor of taxi licences with an estimated 600 licences under lease generating approximately \$10-15 million a year (in lease fees alone and not including stamp duty earned on licence transfers mentioned above) ([p ii](#))<sup>143</sup>. As one taxi licence owner put it:

*‘Considering that govt [sic] made it possible all those years ago, to legally buy and sell plates as investments, I think they have a moral obligation to recompense owners who have lost their investments. I don’t know how you can do it. Smarter people than me can work that out.’*<sup>144</sup>

It can also be argued that, because it has already supported traditional industry participants through the industry assistance package, the government has created the expectation that it would do so again to facilitate further reforms.

Assistance to one relatively small group of stakeholders comes at the cost of a much larger number of point to point transport customers or NSW residents, depending on how assistance is funded. In forming its advice to the Ministers, the review has considered a number of matters relevant to shaping an appropriate assistance package which must address concerns of equity and fairness as well as pass a test of 'public reasonableness'. These matters are considered below.

## Policy and investment risk

The Productivity Commission (1999) observed that:

*'A taxi licence is an asset that has been created by an explicit government policy that is intended to provide the community with taxi services which are efficient, safe, affordable and of an appropriate quality. While the factor from which the value of the licence stems – the entry restrictions – may not be essential to the achievement of these objectives, it has been an integral element of taxi regulation throughout Australia'. (p 28)<sup>145</sup>*

Nonetheless, it is difficult to say that measures used to pursue these objectives came with a guarantee that they would continue in perpetuity. Indeed, all governments have periodically increased the number of taxi licences (which has resulted in changes to plate values), although often the increase has been in line with (or less than) population growth.

The Taskforce listed a series of policy and regulatory changes since the 1970s that in its view signalled that the restricted supply of taxis was subject to review and could not be expected to continue. These included the pre-2015 events listed above. Since then the NSW Government has substantially deregulated the booked sector and legalised rideshare and IPART in its 2018 Report recommended deregulation of taxi licence supply outside Sydney from 1 July 2020.

Given these developments as well as the recent deregulation of taxi licence supply in two other Australian jurisdictions, this review shares the view of the Taskforce that a prudent investor should have expected entry restrictions to be liberalised over time.

No investment is risk free. Indeed, an investment which earns exceptionally high returns, as has been the case for those who have held licences for a long time, is normally by its very nature high risk.

## Staged reform and assistance

The further structural change recommended by this review, if adopted, would be the latest in a series of steps taken by government to reform the point to point transport industry, in particular to loosen entry restrictions and promote competition, as outlined previously.

In this sense, NSW has taken a phased approach to taxi reform and decisions about how much assistance is warranted and for whom need to be set against that history. The Productivity Commission (1999, p 39)<sup>146</sup> identified the phasing of reforms as one factor of relevance to determining assistance; in its view the longer the phasing period the lower should be the assistance provided.

As outlined above, assistance has already been provided to the taxi industry to assist participants to adjust to the 2015 reforms. This comprises, firstly, the direct assistance of the TAP Scheme payment to around 4000 licence owners as well as the AAPS payment to 531 of those licence owners determined to be at risk of financial hardship.

This review considers the benefits to licence owners, consequent on the NSW Government's 2015 decision to not change the taxi licencing regime at that time, are also a form of industry assistance through phasing of change. While recognising the drop in the capital and lease value of those licences, owners have continued to extract value from their licences – either through selling or leasing them or through directly operating them, a benefit ultimately paid for by taxi customers in fares that continue to cover the high cost of the taxi licence.

For owners of Sydney licences, who are mostly investors, it is conservatively estimated that they would likely have earned \$60,000 in lease fees over the four years 2016-19 (assuming an annual lease fee of \$15,000).<sup>147</sup>

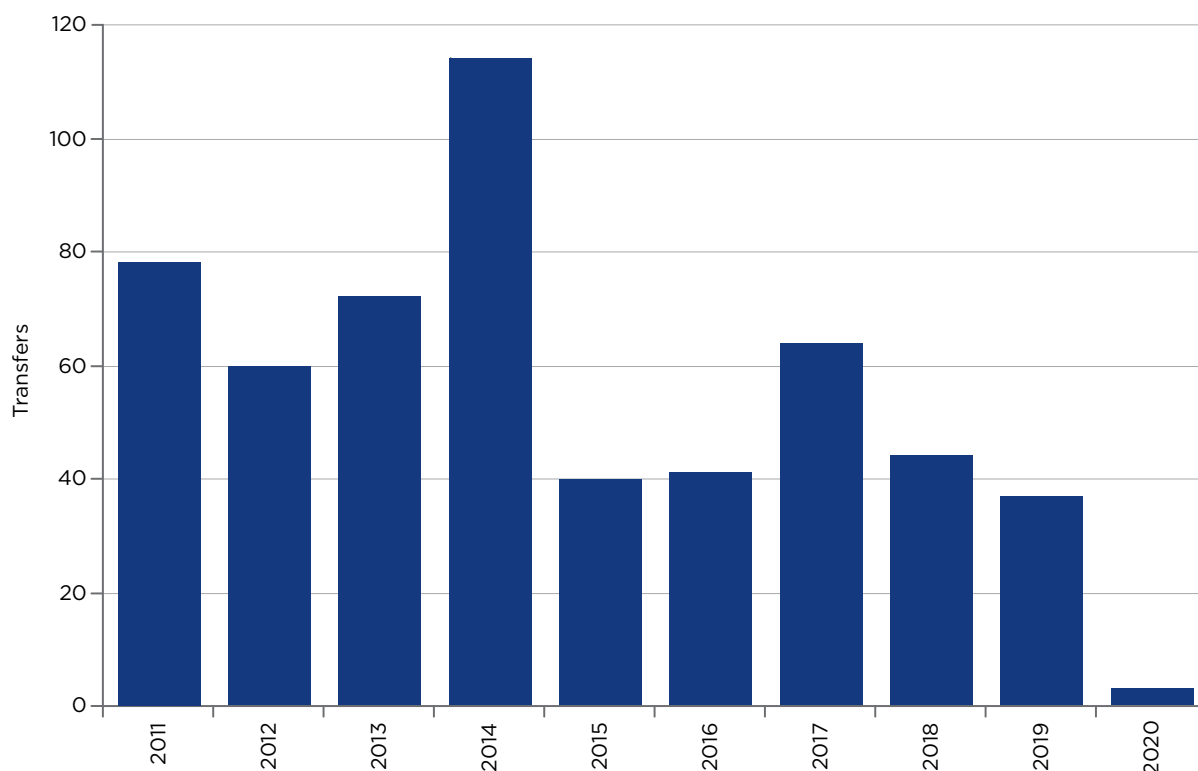
## Sydney and regional NSW

The difference between the Sydney and regional taxi markets also calls for careful consideration in shaping an assistance package for a number of reasons.

As has already been noted, in Sydney most licences are owned by passive investors and are leased (and sometimes subleased through intermediaries). The review has been told that many would have previously operated the licence themselves. However, their principal interest now is to maximise their lease returns, as is the case for any investment, where it is up to investors to monitor the market and switch investments choices when circumstances indicate this to be a prudent course of action. It is not unreasonable to expect taxi licence investors to do the same, notwithstanding the sentimental attachment they may have to the licence and the contribution they historically made to the industry when they operated the licence.

The chart at [Figure 18](#) shows the number of transfers in the Sydney licence market each year 2011 to March 2020. This demonstrates the significant number of licence owners who have exited the market in the past 10 years. It also demonstrates other investors have been prepared to enter, including during and after the implementation of the Taskforce reforms.

**Figure 18. Sydney taxi licence transfers 2011-20**



Source: Data from former Roads and Maritime Services and Point to Point Transport Commission

Leasing of licences by investors does occur elsewhere in the state, but is reportedly much less common. Consultation for this review confirms that the predominant model for country taxi enterprises is the licence owner-operator conducting business either alone or as a member of a taxi co-operative.

Many country taxi operators told the review that for them, buying a country taxi licence was in effect buying a job (in particular as a driver). Others related they bought licences as part of a business or to expand their existing business. When making a licence purchase, they expected to eventually be in a position to sell the licence, at least for the purchase price, but their interest while they own the licence is principally to build a business and earn a respectable income.

Most country taxi operators also spoke of a commitment to their local community over and above what would be demonstrated by a passive investor. Despite no longer being required to provide a 24 hours a day, seven day a week service many said they continue to do so, noting that community transport services – the other main service provider – mostly operate only during business hours. In smaller towns this may be because many of their customers are elderly or frail and have no other form of transport. A number of councils surveyed for this review noted how critical their taxi service was to their community, particularly where the service included a wheelchair accessible taxi. Many country taxi enterprises are family businesses run by husband and wife, two generations or siblings.

A previous section identified the regulatory changes impacting NSW taxis since 2000. While they signalled that the existing supply restrictions should not be expected to continue, these signals were mostly to the Sydney investor market, and prior to the reforms ordinary licences and short-term licences were issued at market price. As recently as 2014 an ordinary licence was issued outside Sydney for well over \$450,000. Two short term licences were issued just prior to 1 November 2017 when new provisions under the P2P Act for licensing outside Sydney took effect.

Therefore, country taxi licence owners have typically considered the licence (or licences) they hold as a necessary capital investment in their business. Their expectations are that when they want to exit the business the associated taxi licences will be on-sold with the business. The business and the licences are intrinsically linked. Throughout this review, many expressed grave concerns that the licence value tied up in their business presents a major hurdle in trying to sell their business with potential buyers now wary about past and future regulatory change and unwilling to pay an appropriate asking price. Many spoke of being at, or well past, retirement age, but nevertheless being forced to continue actively running their business to protect their livelihood and recoup further on their investment in it.

This review finds there is a strong case to support country licence owner-operators through the proposed further reforms, if implemented. With the removal of the licence cost weighing down their chances of sale of their business, many will inevitably exit the industry but without some support will be left with little for the business they built over many years.

## Longer-term owners and newer entrants

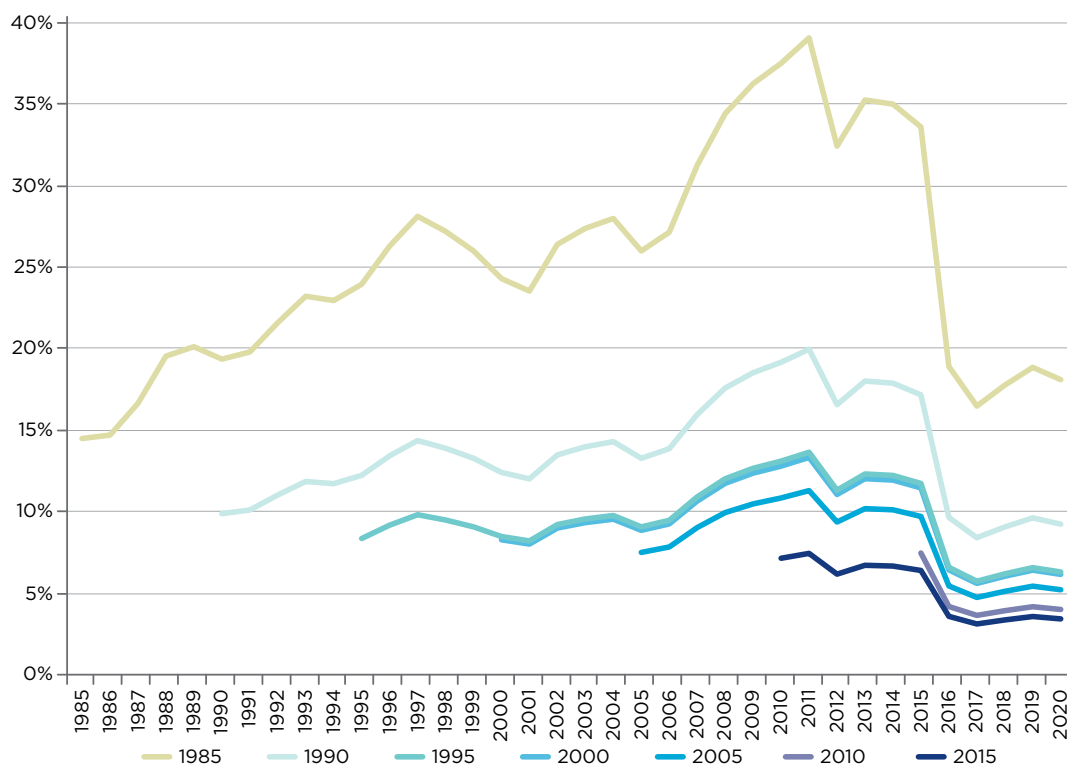
Equity and fairness considerations as well as notions of public reasonableness mean that any assistance should help those who are impacted most negatively in terms of financial losses by the change. With this in mind the review has considered those who are likely to be worst affected financially, by the further reforms, if implemented.

It is reasonable to expect that those who have owned a licence for a long time would have had greater opportunity to gain financially from it compared with those who purchased licences more recently. In this context the expectation would be that recent purchasers would be more negatively impacted by the proposed reforms than long-term investors who would have accumulated income flows from their licences over many years.

In order to test this thinking, the review has carefully examined Sydney market transfer values of taxi licences and the income yields that licence owners most likely received over the period from the mid-1980s to now. In Sydney, there is reasonably reliable data on licence lease fees over many years and records of transfer values are maintained by the regulator.

The chart at [Figure 19](#) shows the annual lease fees (yield) a licence investor in Sydney might have received on their licence each year from the time of their purchase, for a number of purchase dates. This indicates a purchaser in 1985 would have benefited from income yields in excess of 15 per cent of the licence purchase price (and in some years more than double that) for over 30 years.

**Figure 19. Sydney taxi licences – Income (%) by year of purchase**



Note: The purchase price for any year is set at the average of licence trade values in that year. Income yield in any year is the lease income earned on the licence in that year divided by the purchase price.

Source: Data from former Roads and Maritime Services and Point to Point Transport Commission

The lease income figures reflect the relatively low licence transfer values in the mid-1980s and increasing lease fees as licence values grew and peaked in the Sydney market. On the other hand, a purchaser in 2010 would have paid a great deal more for their licence, received lower annual lease income as a proportion of that higher purchase price and accumulated annual income flows for just 10 years.

This examination, by its nature, cannot depict what may have occurred in all cases. However, it indicates with little doubt that those who have owned their licence for a long time could have expected to have earned, and no doubt did earn, exceptional returns.

Further to this, the review has examined the extent to which a licence owner might have accumulated income returns over the years sufficient to have offset a capital loss in 2020 of the amount invested in purchasing their licence (the outcome expected if the further reforms proposed under this review are implemented).

Taxi licence owners and investors who contributed to this review typically spoke of believing the licence to be a safe investment as it was issued and regulated by government. In most estimations, government bonds are similarly considered safe investments. However for many taxi licence investors, returns on taxi licences have been well in excess of what could be expected of such a typically safe investment.

Having regard to this belief the review considered the annual earnings on taxi licences against what could be expected from a safe investment (i.e. a government bond rate of return). Specifically the review considered a scenario as follows: an investor who purchased a taxi licence could reasonably expect to pocket a guaranteed return equivalent to the 10-year government bond rate. However, lease income in excess of this guaranteed portion would be accumulated to offset the potential for a capital loss at a later date. The question of interest is for how long and over what period would the licence purchaser have earned returns sufficient to cover the capital loss.

The analysis of this scenario in [Figure 20](#), indicates that those who purchased Sydney licences prior to about 2005 would have accumulated net gains (in some case very handsome ones), whereas those who purchased in the decade to 2015 would most likely have incurred net accumulated losses. Under this scenario, it would seem that the cohort of purchasers who incurred net losses would have a stronger claim for assistance on deregulation of supply over and above that of longer-term owners.



Figure 20. Sydney taxi licence scenario

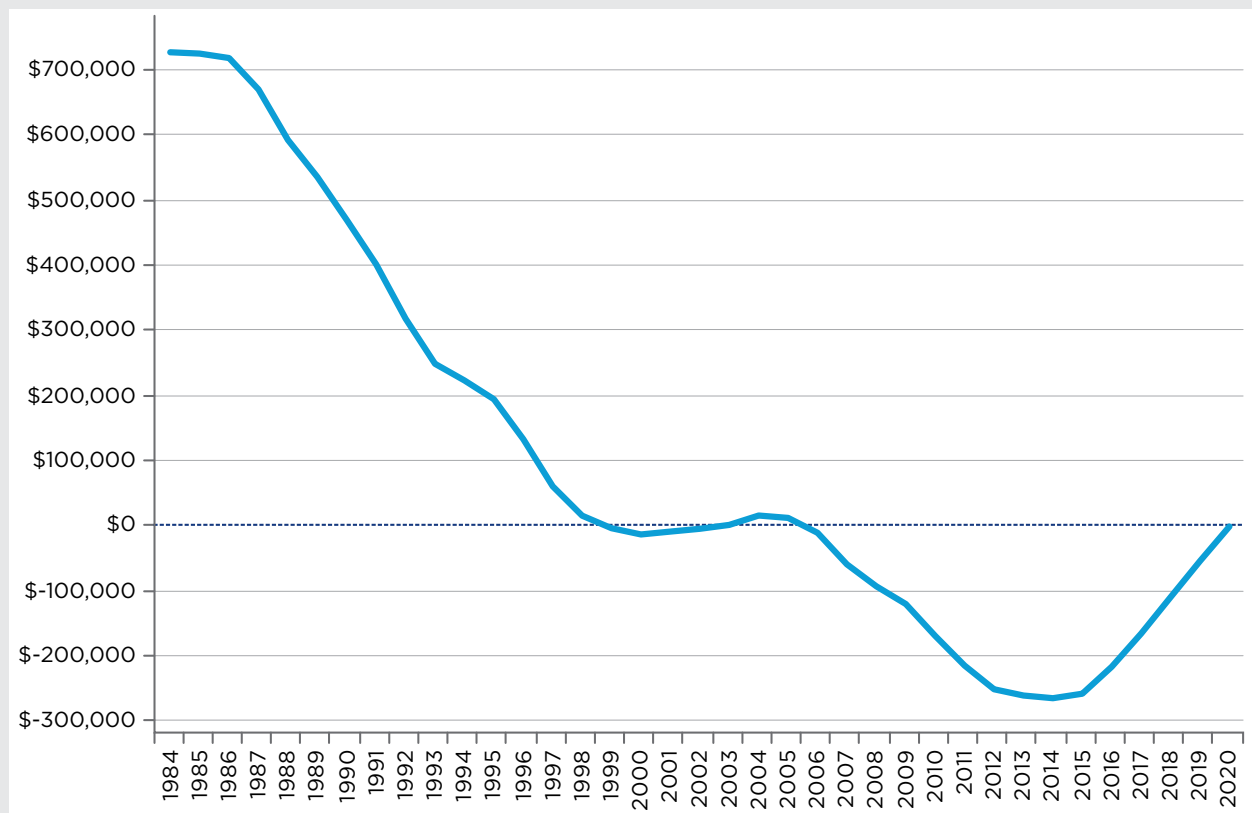
### Sydney taxi licence scenario

The question is: to what extent do excess yields – above prevailing government bond rate and accumulated over the life of owning a licence – offset the loss of capital invested in the licence if the licence assumes zero value in 2020?

In modelling this scenario:

- Yields are based on the annual licence lease fees paid in Sydney at each year. There is reliable data available about the licence lease fees paid but where there are gaps, values have been interpolated using an econometric approach
- Government bond rates were obtained for each year, and the yield in any year compared against the relevant bond rate for that year
- Where the yield is greater than the bond rate, the excess return is determined
- The stream of excess returns is applied against the purchase price (terminal value is considered zero in 2020) to determine the total quantum of gains or losses as at 2020

#### Average returns by year of purchase (assuming zero terminal value in 2020)



Source: Data from former Roads and Maritime Services and Point to Point Transport Commission

This analysis finds that owners who purchased Sydney taxi licences in the 1980s and 1990s have benefited from excess income returns (i.e. the component above and beyond the risk free bond rate) over many years and have accumulated excess gains well above the amount to cover the purchase price. However, the analysis also identifies a cohort of licence owners who purchased their Sydney taxi licence much later, within the period 2005-15, who would not have earned enough excess income returns to offset the purchase value of the licence by 2020. This cohort would suffer net losses under this scenario.

A counter to targeting assistance to those who have incurred losses is that it ignores the circumstances of those who have owned their licences for longer and the impact of the changes on them. A number of licence owners who made submissions spoke of their belief when they purchased their taxi licence, many to initially operate it, that they would be able to then sell or lease the licence to fund their retirement but that this is now not the case due to the diminished licence value. Some licence owners well past retirement age, especially in the regions, are still working; others are earning much less from lease arrangements. As one regional taxi operator advised:

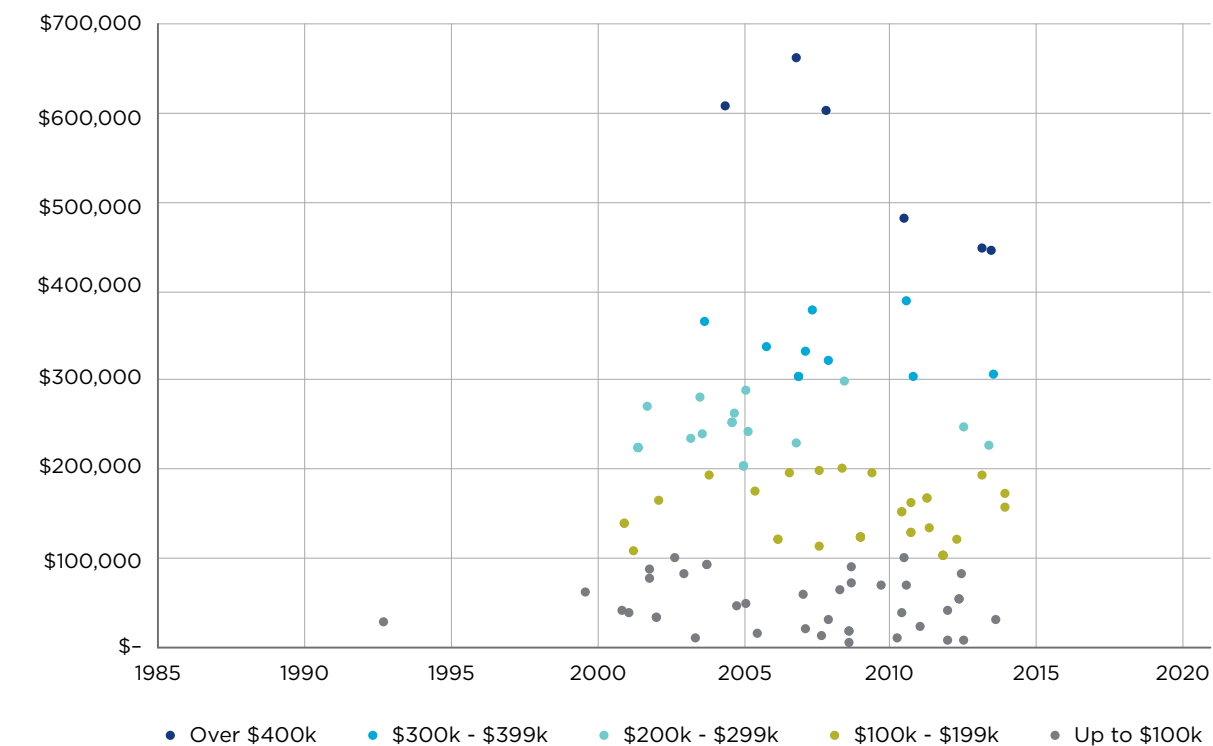
*'the current owners are looking at an appropriate exit strategy as the major shareholders are in their late sixties-early seventies. The dramatic devaluation in their asset base has greatly limited their retirement options.'* (p 7)

This argument has some merit. However, any further assistance package should reflect that an objective of the hardship assistance provided under the AAPs was to assist licence owners at or near retirement. Licence owners in that group who the AAPs determined to be at risk of financial hardship will have already received assistance under that scheme.

An argument against assisting more recent licence purchasers lies in general concerns that the government or community should not be expected to cover the losses of those who made investment decisions in a volatile market or in a clearly evolving regulatory context. This is the case for those who purchased licences more recently, notably from 2009 in Sydney. From that time the market was less stable and investors could have been expected to know of the direction of regulatory reform around supply. For this reason an assistance package might be shaped to provide less assistance for more recent purchasers compared to those who purchased in earlier periods where the expectation of stability might have been more justifiable. This review considers owners must bear a significant degree of responsibility for the risk associated with investing in their licence and on that basis any assistance should only accommodate a proportion of losses and to an amount that would be considered reasonable by the general public.

Outside Sydney, ascertaining which licence owners are likely to be the most negatively impacted is not simple. Licence transfer values are known, but there is no reliable way of estimating lease values; leasing is not the norm as most owners operate the licence. Further confounding the situation is that licence values outside Sydney have been highly variable over time as demonstrated by [Figure 21](#) and vary across regional centres for no discernible reason.

Figure 21. Maximum licence transfer value recorded for a given regional location



Locations included in each maximum licence transfer value band are as follows:

\$400,000 and above:

Ballina, Coffs Harbour, Gosford, Maitland, Port Macquarie, Tweed Heads

\$300,000 – \$399,999:

Albury, Armidale, Broken Hill, Dubbo, Laurieton, Mullumbimby, South West Rocks, Tamworth, Wagga Wagga

\$200,000 – \$299,999

Alstonville, Bateman’s Bay, Bellingen, Blaxland, Grafton, Griffith, Inverell, Katoomba, Kingscliff, Leeton, Lismore, Mittagong, Murwillimbah, Newcastle, Nowra, Orange, Queanbeyan, Springwood, Wauchope, Wollongong

\$100,000 – \$199,999

Bargo, Bathurst, Cessnock, Cooma, Corowa, Eden, Evans Head, Forbes, Glen Innes, Goulburn, Gunnedah, Huskisson, Kempsey, Lawson, Lithgow, Macksville, Merimbula, Moama, Mudgee, Nambucca Heads, Narrabri, Nowra, Parkes, Picton, Sussex Inlet, Taree, Tumut, Walgett, Woolgoolga

Below \$100,000:

Bega, Blackheath, Bermagui, Berry, Blayney, Bourke, Bowraville, Branxton, Bungendore, Cobar, Condoblin, Coonamble, Cootamundra, Culburra, Fingal Head, Gilgandra, Gundagai, Guyra, Harden, Junee, Kyogle, Maclean, Moree, Morisset, Narrandera, Narromine, Quirindi, Temora, Tenterfield, Thredbo, Uralla, Urunga, Wellington, Wentworth, Wingham, West Wyalong, Yass, Yamba, Young

Source: Derived from data from former Roads and Maritime Services and Point to Point Transport Commission website

[Figure 21](#) plots the maximum licence transfer value reported for a given regional location against the year in which that trade occurred. The listing of regional locations included in each of the bands illustrates how peak licence values have differed across locations without a consistent pattern immediately evident.

For example, the high prices paid for licences on the NSW North Coast are not fully explained by population density, demand for taxi services or even high levels of tourism visitation, although these factors may certainly have influenced the market. During consultations industry stakeholders suggested that the reasons for such values could be as much about ‘lifestyle’ as anything else.

Nevertheless, it is reasonable to assume in regional NSW, as has been done for Sydney, that the longer a person has owned the licence, the greater the likelihood they would have had time to reap sufficient accumulated earnings to cover their capital cost – and any assistance provided should reflect this.

## Structuring assistance for best effect

The review understands the considerable distress experienced by those AAPS recipients whose social services pensions and benefits were affected by the manner in which their AAPS applications and payments were determined. It is important that the design of any assistance scheme, including payment arrangements, be structured to consider such impacts on scheme recipients.

While it is for the NSW Government to decide how much assistance is provided and to whom, the review believes that should its recommendations about taxi licensing supply be accepted, further assistance to licence owners is justified but not to the extent of the licence buy back sought by many in the taxi industry.

In reaching this conclusion, the review has been mindful that:

- many longer-term investors would have already made exceptional returns
- no investment is risk free and licence owners must bear significant responsibility for the investment decisions they make
- the regulatory landscape has been shifting for some time such that investors should not have expected to continue to realise the very high returns they or others had previously enjoyed.

Instead, the review believes any assistance should be shaped to:

- target those most likely to have experienced substantial financial loss due to the date they entered the market while also placing onus on licence purchasers for risks associated with their investment decisions
- recognise that country licence owners mostly operate the licence themselves
- be structured and timed to consider impact on social security pensions and benefits and income tax liabilities for recipients.

## Sources of funding for assistance

If the recommendations of this review are accepted, alongside considerations of where to direct assistance, the NSW Government will need to determine how that assistance is funded. The Passenger Service Levy was introduced to fund the three schemes under the initial industry adjustment assistance package, similar to what has been done to fund assistance elsewhere in Australia following industry deregulation.

Most taxi operators who participated in the review expressed resentment at the administrative burden and cost of collecting the levy, even though the taxi sector was the main beneficiary. The Taxi Council submission requested government to provide financial support to the taxi industry for collecting the levy. At the same time, the Taxi Council argued that a licence buy back could be funded by continuing the levy and from leasing plates back to industry.

Other parts of the sector held similar views about the levy, especially those who receive no assistance from the funds collected. The Community Transport Organisation (CTO) view was that:

*'While the levy can be passed on to customers, the administrative burden of collecting the levy for community transport services is not financially compensated. Not for profit transport services aim to serve their communities and meet customer needs with minimal red tape, and consider the levy to demonstrate financial disparity between their customers. The benefit of the Industry Assistance Package is not directed towards community transport services, and not supportive of filling gaps in areas where other point to point providers are either absent or intermittent.'* (p 4)

The CTO went on to recommend:

*'the NSW Point to Point Commission exempt the application of the Point to Point Service Levy for not for profit community transport providers that meet existing Transport for NSW contract service standards for community transport services.'* (p 7)

A number of submissions called on the NSW Government to stop the levy for a number of reasons. Uber noted:

*'In 2015-16, the average Australian household paid about \$205 per week for transport, or 14.3% of total household expenditure. Charges such as the Passenger Service Level [levy] and the rideshare CTP premium loading, one of the most expensive globally, contributes to the cost of transport to consumers. NSW passengers have been paying the \$1.10 levy since February 2018 to help fund the state's taxi hardship fund. The levy was to be in place for up to five years or until it raises \$250 million.*

*The levy has already collected a significant amount of money and in light of the significant downturn in point to point trips following the COVID-19 pandemic, Uber recommends the NSW Government ends the levy now. It would be a way to support an industry which is doing it tough, as well as greatly improve the affordability of transport and cost of living to NSW riders.'* (p 19)

It is not for this review to recommend how any assistance is to be funded. However, while the above views would seem to have merit, absent the levy, any further assistance to taxi licence owners would need to be funded from consolidated revenue. The review acknowledges that claims for this assistance would need to be considered alongside the now additional – and undoubtedly very considerable – competing claims for that revenue arising from the impact of the coronavirus pandemic.

## **Transition support**

This review notes that many in the industry now support moves to remove the deadweight of the costly taxi licences from the taxi business model. Even long-term industry participants have argued for this to occur. Nevertheless, the magnitude of these changes and the impact they will have on people's lives and businesses are significant, and resources should be directed to assist industry participants through what for many will be a difficult time.

The 2015 Taskforce quite correctly identified transition support to be a basic precondition of successful transition to reforms. This review concurs with that position. For this reason, it is recommended the NSW Government establish a program of financial advisory and other counselling assistance for industry incumbents to support them through a 24 month transition period following the reforms.

## 9 Point to point services in regional locations

This review has been asked to examine point to point transport in regional locations, in particular to consider if there are locations at risk of losing point to point services and identify,

- appropriate interventions to address local transport needs
- any measures, including any changes to industry structure specific to the regions, that may be needed to support the continued participation of point to point transport service providers in the local transport market, especially for those providing wheelchair accessible services and other services to vulnerable communities
- any further support needed for wheelchair services

The review's consideration of services in regional NSW has been informed by *Future Transport 2056* which envisions transport in regional NSW as being underpinned by a 'hub and spoke planning model which recognises regional cities such as Bathurst, Tamworth, Wagga Wagga and Port Macquarie (among others) as central hubs for services, employment and social interaction' ([NSW Government 2018b, p 2](#))<sup>148</sup>. This strategy anticipates that point to point services will play a key role in connecting residents to hubs for essential services, while also providing transport around local towns for residents who need it.

Based on the evidence gathered, the review reveals a robust point to point transport market in Newcastle, Wollongong, the Central Coast and larger regional centres and towns. Public transport services operate in many of these locations and, in all, there are numerous taxis. Rideshare operates in an increasing number of places. Should an operator in such places leave the industry, their customers will have other transport options. Nevertheless, the review has noted that even in these centres the potential for new and innovative business models to fill transport gaps under the point to point transport framework are not yet fully appreciated.

In smaller towns, point to point transport may provide the only means of access to essential services within town or to nearby larger centres. For those who do not drive, taxis, community transport and transport provided by other organisations (such as courtesy buses) play an essential function.

This section identifies a range of measures which individually, or in combination depending on the circumstances of the specific area, are recommended to address any unmet transport need in regional locations, especially those at risk of losing point to point services. To that end, the measures on transport disadvantage recommended earlier in the report will be particularly important for regional locations, especially to ensure the support of wheelchair services.

### Recommendations

The review recommends that:

21. In regional areas where point to point transport services are at risk or cease operation, TfNSW and the Point to Point Transport Commissioner work with key stakeholders to develop a local point to point transport plan to address any unmet transport need. Where the service is at risk any such plan should firstly identify what could, if anything, make the service viable. It should also strive for mutually beneficial partnerships between industry participants to ensure sustainable transport options for the local community.
22. In such locations, additional funds be provided through the TfNSW Community Transport Program, with the funds awarded to providers through an open contestable process.
23. Community transport operators be encouraged to become authorised as booking service providers to enable more customer choice and provider options and to secure services, especially the availability of wheelchair accessible transport services and particularly in regional NSW.

24. TfNSW consult with the Small Business Commissioner and Business NSW (the business chamber movement) to develop and implement a program to promote and undertake education on the point to point transport authorisation requirements to encourage new entrants and to foster innovative service delivery, especially in regional locations.

## Background

This section examines the regions generally, but in considering if there are areas at risk of losing services, it pays particular attention to smaller population centres as it is in such locations that the loss of a service, in particular the (usually only) taxi service, is expected to have the greatest impact on the community. The private vehicle is by far the dominant mode of travel across regional NSW, accounting for 91 per cent of all trips to work. This compares to Sydney where about 65 per cent of trips to work are by private vehicle. Providing alternative transport is most important for seniors, and customers with mobility issues or who are uncomfortable with driving long distances.

## Reforms to date

The major reforms flowing from the Taskforce applied state-wide. These included the strengthening of safety requirements through a shift to duties-based regulation, and away from regulating quality and service standards. Supply and fares for booked services were deregulated and these services can now operate anywhere in NSW. The reforms to the booked sector of the industry are expected to increasingly change the operating environment in regional NSW.

The Taskforce made two recommendations of specific relevance to regional taxis (39 and 42) to bring arrangements for taxi licencing outside Sydney closer to those applying in Sydney namely: no new ordinary or short-term licences but a small number of annual licences to operate anywhere in the state outside Sydney to be offered through periodic tender and a review of operating areas for rank and hail services.

Also of particular relevance to the regions was the Taskforce commentary and recommendations about funded programs. The Taskforce noted that competition for services for funded programs and the method and timing of procurement differed by program [\(p 97\)](#)<sup>149</sup>. It further noted that such non-alignments had been long-standing and recommended:

*‘Greater consistency in funding timeframes, tendering requirements and contract specifications for various point to point transport programs (for example, the Assisted School Travel Program, community transport programs and some aspects of non-emergency patient transport) be pursued. Consideration should be given to consolidated contract management to improve coordination and efficiency in service provision, reduce compliance costs and provide greater certainty for point to point providers’.* [\(p 95\)](#)<sup>150</sup>

The impact of the reforms has been felt quite differently in regional NSW compared with Sydney, due to a combination of factors including economic conditions, fewer providers in the market and the local industry structure. Country operators are in many cases owner operators running a small family business. This may also include driving the vehicle or using other drivers. They might employ a handful of staff in smaller operations and in larger towns may be a partnership or part of a co-operative. Small dispatch units, often via radio, are still in use while some operators take their own bookings over the phone. Rideshare has started to operate in larger centres across NSW, particularly in outer metropolitan areas as well as coastal locations and large inland population centres, but is not yet present in many areas.



## What the review heard

### Views on the reforms

The review heard from many regional taxi operators and licence owners that in their view the point to point transport reforms, although intended to provide a light-touch regulatory regime, had not cut red tape. Rather, they claimed the reforms had shifted the regulatory burden to operators, which many smaller operators considered overly burdensome. Many found the development of a formalised and documented safety management system and accepting accountability for its implementation to be outside of their usual business operations 'comfort zone'. There was support for the Driver Vehicle Dashboard which is accessed through the Point to Point Commissioner's industry portal, with many acknowledging this assisted them in meeting their new accountabilities.

However, the administrative cost of compliance with the new safety requirements, and for collecting the passenger service levy, was considered an imposition. This position was strongly supported by many regional operators, especially those running smaller businesses still substantially receiving cash payments and using paper based recording systems.

This was in contrast to regional community transport representatives who advised that the safety reforms were well-received by those operating as authorised point to point service providers. As community transport providers, safety frameworks were already part of 'business as usual' and the new point to point transport requirements were not difficult to meet from an operational or philosophical point of view.

The Community Transport Organisation (CTO) stated:

*'The industry welcomed [the] **Point to Point Transport (Taxis and Hire Vehicles) Act 2016** and the **Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017**. Already highly conscious of safety and training for all drivers, the community transport industry supported Point to Point safety provisions and welcomed its regulation, and many readily registered. The industry has been required for many years to meet rigorous standards associated with Australian Government grants. CTO note that the NSW Point to Point Commission have stated that the community transport industry demonstrates the highest levels of safety compliance.'* (p 3)

Uber was likewise positive about the reforms which it stated were the reason for its expansion beyond the major urban locations to operate state-wide:

*'It is important to note that one of the reasons we chose NSW to expand our regional footprint is because of the progressive regulatory environment, which began with the 2015 reforms. The regulations and accreditation process for becoming an Uber driver-partner in NSW is world class. ... Uber wants to continue expanding its operations in regional NSW and explore growing our regional services areas to reach more communities in the future.'* (p 26)

### Taxi services in regional communities

Regional taxi operators reported the majority of their work continues to be booked, most citing figures of 80 per cent or above in the smaller centres. While concerned about increased competition and costs of doing business and despite knowing they were free to set their own fares for this majority 'booked services' component of their business, most operators continued to charge the regulated maximum fares. They reported that this gave certainty to customers as a regulated fare had government endorsement.

This could be in part due to the perceived obligation to their local community as well as an awareness around the price sensitivity for parts of their customer base, particularly recipients of the aged pension or other social security benefits.

Many regional operators said they provide services 24 hours a day, 7 days a week, even though there is no obligation to do so as they feel an obligation to the community to be available on call at any time of the day or night.

The Taxi Council noted:

*'it is this trust and loyalty that makes it even more difficult for Taxi businesses to simply increase the prices for their services, as a means to recover increased overheads. Taxi businesses feel they have a moral and ethical responsibility and obligation towards their community.'* (p 56)

There was some evidence of regional service providers taking advantage of the opportunities provided by the point to point transport reforms. Some taxi businesses are including hire vehicles in their service offering; and the review heard that taxi operators in two smaller towns have adjusted their fares to charge a flat rate for trips within the town. However based on feedback to the review it appears most regional taxi operators had not changed their service offering.

### Community transport in regional areas

The review is advised that through its Community Transport Program (CTP), TfNSW engages community transport operators to provide transport for people who are transport disadvantaged. This includes those who experience:

- Personal disadvantage – when mobility is impacted by age, disability, frailty, poor health or language barriers
- Locational transport disadvantage – when there is very little, or a complete absence of public transport in regional, rural and remote areas in NSW
- Economic transport disadvantage – when cost prohibits access to available transport. It includes circumstances where an unreasonable proportion of household income is absorbed by transport costs.

The CTP provides transport for customers to attend medical appointments, participate in social activities, do their shopping and maintain their independent living at home.

The CTP is available to people who may be ineligible for other specific program-based subsidies for transport services; it is the 'option of last resort'.

Most of the trips provided under the CTP (280,760 in 2017-18) are for customers in regional, rural and remote areas of NSW. Approximately 20 per cent of all customers were either from an Aboriginal or Torres Strait Islander background or Culturally and Linguistically Diverse (CALD) communities. (TfNSW 2019a)<sup>151</sup>.

CTP eligibility is sufficiently broad to enable those funded under the program to assist people in areas where other point to point transport services are not available.

### Other regional transport initiatives

TfNSW also advised the review that its Transport Access Regional Partnerships Grants Program (TARP) supports initiatives to improve services and outcomes for transport disadvantaged groups in rural and regional communities. TARP provides funding to eligible organisations to assist people who are affected by specific circumstances that leave them with limited or no access to private transport, and difficulty accessing conventional public transport due to:

- Limited access to a car or regular public transport services
- An inability to access mainstream or community transport assistance
- Socio-economic circumstances

These funds are available as seed or trial funding rather than recurrent funding. Examples of funded projects include transport of geographically isolated people to places of employment and training, once a fortnight shopping/appointment trips from a remote community to the nearest town, and projects making use of the spare capacity of buses otherwise used on route services.

## Competitive dynamics

Outside of the larger regional centres regional taxi operators consider community transport, courtesy services and 'rogue operators' to be their main competition.

These views echo those provided to IPART for its 2018 review of taxis fares in NSW and taxi licences outside Sydney that 'the taxi industry is experiencing tougher business conditions due to increased competition from the growth of alternative point to point transport operators such as community transport, courtesy transport (and rideshare in larger areas)' ([IPART 2018, p 37](#))<sup>152</sup>.

While rideshare services have been less prevalent in regional NSW than in Sydney, where they do operate taxi stakeholders complain such services are 'cherry picking' the weekend nights trade, which previously was the busiest and most profitable element of their business. Operators in the larger centres said this loss of Friday and Saturday trade makes it difficult as income from these nights supplements quieter periods throughout the week and other loss making services provided out of hours through an obligation to their community (Taxi Council submission, p 58).

Taxi operators, and in some locations community transport providers, reported that unauthorised operators are touting for fares at venues or events or advertising through social media or word of mouth offering journeys for cash. Many claimed this is a common occurrence in most regional locations. Taxi operators considered these 'rogue operators' a very significant source of competition. They believed their prevalence was due to the point to point transport reforms and warranted greater compliance effort by the regulator. The Taxi Council (p 61) and Regional Taxi Lines Ltd (p 6) both expressed a view that the regulator needed to increase compliance effort in regional NSW to address rogue operators, particularly around major events such as the Bathurst 1000 motor race.

While this review supports the principle that unauthorised operators have no place in the market including in regional NSW, the current scarcity of taxi services, by virtue of current regulation of their supply through limited numbers of costly taxi licences, may indeed exacerbate the problem of 'rogue' operators. Most customers, if presented with the option of an authorised provider with safety guarantees, or an unknown 'rogue' operator, are likely to choose the authorised service. In this regard, the changes to taxi licencing as proposed in other parts of this report and enabling more taxis and their flexible operation anywhere in NSW may alleviate this problem.

Taxi operators for the most part view community transport as unfair competition on the basis providers are subsidised by government through funded contracts. The counter to this is that contracts with community transport providers specifically prohibit the use of Commonwealth Home Support Program (CHSP) funds to cross-subsidise other services; those funds can only be used for CHSP eligible clients. As the Taskforce commented:

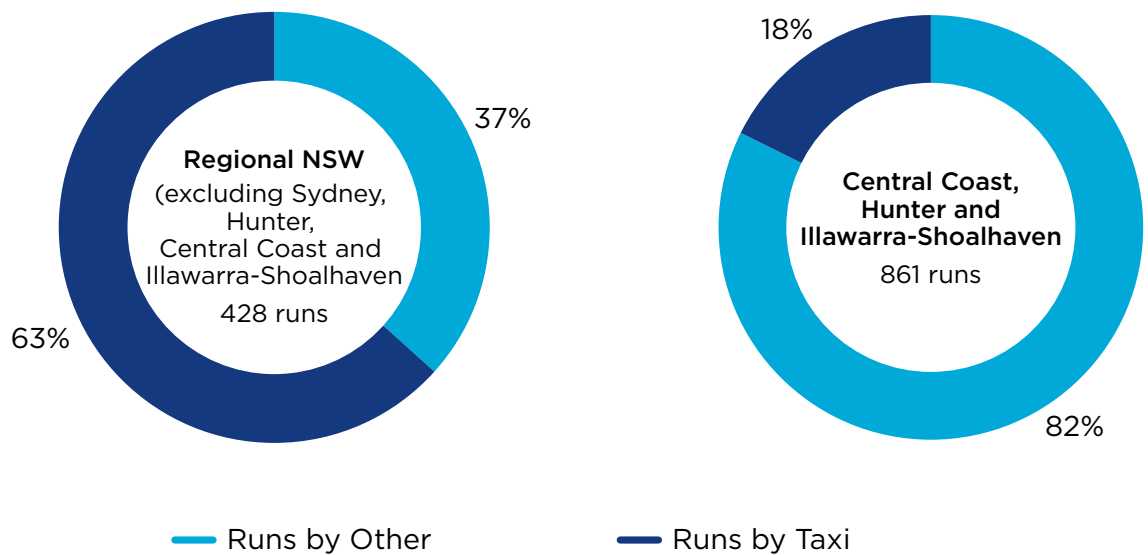
*'This does not mean that vehicles funded under these programs must not be used for other services, but if they are used, the full cost of providing the service (for example, the depreciation on the vehicle, the fuel, driver and administration costs, etc.) cannot be subsidised by the funding program. Such costs must be accounted for separately and fully reimbursed to the program.'*  
(p 97)<sup>153</sup>

The review heard from a number of community transport providers who have become authorised as booking service providers, offering services outside their government contracts on a full cost recovery basis. They considered the reforms had provided the opportunity to build this element of their service, to fill service gaps in their areas and to compete with other point to point services with any profit earned returned to their core business. Representatives reported that this 'social enterprise' approach worked best in higher population areas, being challenging in more remote parts of the state.<sup>154</sup>

The review also heard that a number of community transport services direct a considerable amount of work to taxis and that the type of transport assistance they provide in their communities is complementary to that offered by taxis. Outside of Greater Sydney, 18 per cent of community transport trips are 'indirect trips' which are often referred to taxi operators. This increases to 37 per cent for LGAs with one-to-four taxi licences; in some areas it is as high as 79 per cent.<sup>155</sup> Specifically the review heard

that the focus of many community transport providers is transport from smaller regional towns to larger centres, a service involving distances that would be prohibitively expensive in a taxi which charged regulated maximum fares. Taxis, on the other hand, are most suited to shorter trips around town centres. Taxis also provide services as part of the Assisted School Travel Program (ASTP). As noted in [Figure 22](#), taxis are used for school runs at a higher rate in regional NSW than in outer metropolitan areas.

**Figure 22. Assisted School Travel Program**



Source: Data as at 25 November 2019 provided by Regional and Outer Metropolitan Division, TfNSW.

Taxi operators also expressed concern that NDIS service providers are increasingly offering a transport service, akin to authorised point to point transport services. Advice from NSW National Disability Services is that where this occurs in the majority of cases transport is only available to NDIS participants (as opposed to the general public) and is incidental to the other services they provide to their clients.<sup>156</sup> Transport arrangements of this nature fall outside the purview of the P2P Act and the Regulation.

**Business development and confidence**

Many regional taxi operators are close to or at retirement age and would retire if they could sell their business. Not surprisingly and even though licence values have dropped, they would like to sell their licence/business at least for the price they paid for it. But most report there are no buyers because of the actual or perceived threat of lower cost competitors. Such concerns have reportedly left some older taxi operators feeling ‘trapped’ into continuing to operate their licence and business long past retirement age, until they would eventually be forced to close their taxi business due to ill health or other reasons. This review contends that its recommendation in regard to taxi licencing will alleviate these concerns, with buying a taxi business without the barrier of hefty licence costs becoming a more attractive proposition.

Younger taxi operators who want to remain in the industry reported that the reforms had hampered their ability to source finance to expand their business as banks no longer lend against taxi licences, due to their drop in value. Even though rideshare has not yet entered their area, many regional taxi operator believed the threat of this eventuating has been enough to devalue their licences, and consequently the sustainability and value of their business.

However, some taxi stakeholders shared more optimistic views about their regional centres and point to point transport business opportunities. Despite many signals flagging the potential for further regulatory change in the industry and dropping taxi licence values, one taxi operator in a large regional university town reported having first purchased a licence only 18 months ago using vendor finance, as bank finance was denied; he recently purchased a second licence. Although rideshare is not operating in the area, even when it does, he expects it will operate at peak times but not at others when services are still needed. Although he reported losing business to courtesy buses and the university bus he viewed the taxis as a

good 'side' business. It was his position that he was young, had time to recoup his costs and it was not his sole income. However, he still considered it high risk and believed working together across providers, rather than just as competitors, would support the sustainability of point to point transport as a whole in regional areas.

As outlined in [Section 6.3](#) of this report, indications are that demand has remained relatively stable for taxi services in regional NSW however a small but gradual decline has been reported in more recent years. It was noted that social and economic factors in regional NSW have likely played a part in the gradual decline of demand for taxi services in some areas. Additionally, the relatively gradual decline in demand, in comparison to Sydney, is likely reflective of a lack of a penetration from rideshare operators into regional areas to date.

The Community Transport Organisation noted social enterprise as a key concept for many community transport operators, stating it was 'aiming to improve their community's access to transport, where it would otherwise not be available. As not for profit organisations, social outcomes are prioritised at every level and imbedded in their constitutions' (p 3). The reforms have enabled such organisations to offer services on a full cost recovery basis under the P2P Act, with this revenue then feeding back in to providing additional services for the community.

In consultations with regional business chamber representatives, the recent reforms and the flexibility afforded under the point to point transport framework, particularly for booked transport service over longer distances, were acknowledged. Chamber representatives identified a number of unmet transport needs in their regions and potential business development opportunities to address them were raised. These include:

- growing interest in car pooling and group travelling among environmentally conscious residents (Business NSW – Northern Rivers)
- need for affordable share travel services for young people to and from work (e.g. apprentices making early starts) and for at-risk youth (Business NSW – Mid North Coast; Tamworth Business Chamber)
- share travel services for employees working for businesses with multiple worksites (Illawarra Business Chamber)
- seasonal services to support major event, festivals, tourism, destination weddings and the like (Shoalhaven Business Chamber).

### **Wheelchair accessible taxis**

WAT licences are free, are available on request and may now operate anywhere in NSW. Since November 2017, the number of WATs operating outside Sydney has increased from 262 to 296 in May 2020. Despite this increase the review heard that there are still locations that do not have access to a WAT. Even so, taxi operators believed that WAT licences with no operating area restriction represented unfair competition and were simply being used as a backdoor entry to the industry with these taxis mostly undertaking non-wheelchair work. Regional Taxi Lines recommended only issuing a WAT licence where there was an established need and imposing restricted operating areas on WATs (p 8).

In response to this view it is important to note that there are a number of very deliberate policy settings that support the provisions of WATs and make them a commercial proposition for operators. Alongside the incentives and subsidies (WATDIS, free licences, interest-free loans) is their ability to also undertake conventional taxi work. These subsidies, subsidies and conditions on service are applied state-wide. These issues are discussed in detail in [Section 7.3](#).

Further to this and notwithstanding the freeing of restrictions on WAT operation, the decision to obtain a WAT licence and the financial cost of purchasing and converting a vehicle to meet accessibility standards (even with an interest-free loan if pursued) would represent, to this review, a very expensive and ill-informed means of competing with existing taxis for non-wheelchair work. Noting that around

80 per cent of regional taxi work is booked anyway it would be much cheaper to become authorised as a booking service provider to compete for conventional booked service work, without the need for a taxi licence.

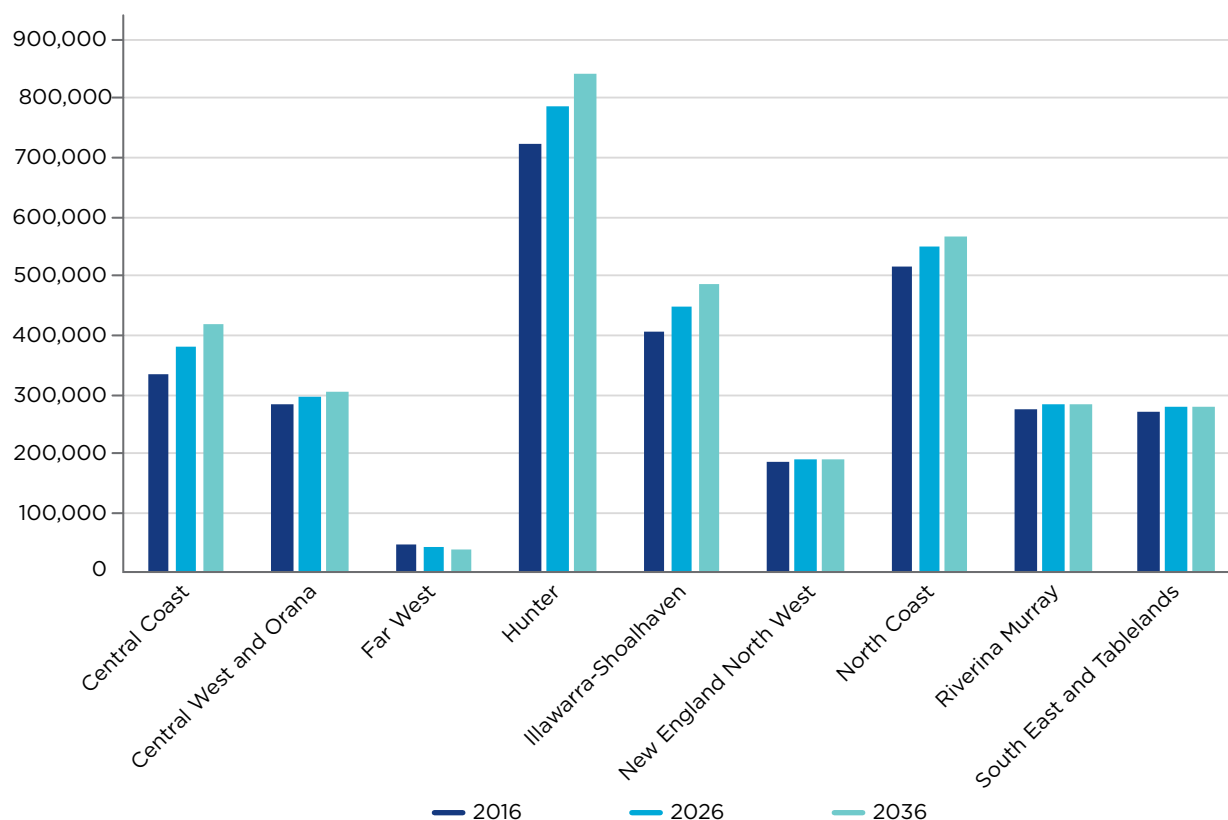
A counter view framed within free operation of WATs across NSW was put by a local chamber of commerce representative who reported that during major events in Bathurst a couple of extra WATs come to town, but the town could do with 20 at that time of the year.<sup>157</sup>

## Considering if services are at risk

### Regional Overview

*Future Transport 2056* notes that regional population growth in regional NSW will predominantly be in the Hunter, Central Coast and Illawarra regions which are forecast to grow by 505,000 people by 2056. Beyond these locations, areas of high growth are generally concentrated in coastal LGAs and existing regional centres, with population change in other areas expected to remain flat or decline. This is coupled with an ageing population across regional NSW, with a median age of 43 in 2016 compared with 38 in Greater Sydney.

**Figure 23. NSW planning regions – population growth**



Source: [Department of Planning, Industry and Environment 2019](#)<sup>158</sup>

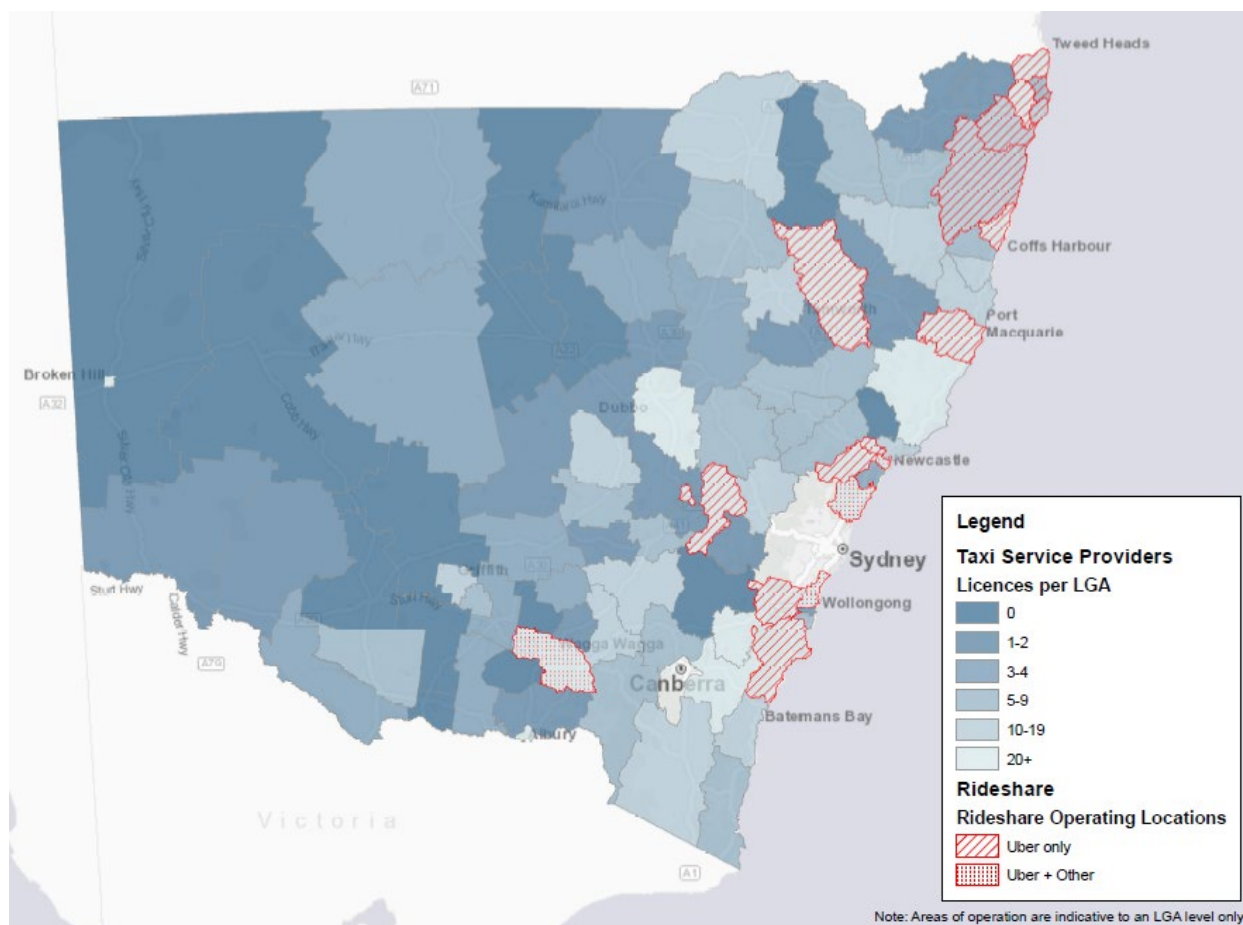
Alongside population, the review examined the state-wide availability of taxis and rideshare (see [Figure 24](#)). This demonstrates that, outside Sydney, in Newcastle, Wollongong and the Central Coast and in major regional centres and larger towns, a mix of point to point transport services is typically available and the market in those locations is robust. Public transport services operate in many places and, in all, there are numerous taxis. Some also benefit from intra and inter-city train services.

In many areas rideshare has entered the market. Community transport is available across the state; certain community transport providers have become authorised as booking service providers to offer services to the general public on a full cost recovery basis, with any profits returned to their core business as part of their social enterprise model. In these areas, should an operator cease operating it is



more likely their customers will be able to choose from a range of other service providers to meet their transport needs. Further, the implementation of the structural changes to the sector recommended by this review (see [Section 7](#)) means remaining barriers to entry will be dismantled and new entrants should thrive, offering more and varied transport options to these larger regional communities.

**Figure 24. Number of taxi licences per LGA and areas of operation for major rideshare**



Source: Data from Point to Point Transport Commission. Rideshare operating areas from provider websites.

For this reason, in considering if there are areas at risk of losing services, the review has paid particular attention to smaller population centres with a more limited service offering, including those where the population is forecast to remain flat or decline. In doing this it has considered:

- towns which have recently lost or are at risk of losing their taxi service
- the largest town in each LGA with one-to-four taxis only, and where the population of that town was around 5000 or less.

In their submissions, the Taxi Council (p 57) and Regional Taxi Lines (p 7) noted a number of towns have recently lost taxi services or are at risk of losing services. The Community Transport Organisation also noted it was aware of NSW regional communities where point to point services have been at risk for a range of reasons – loss, absence or significant reduction of taxi services (p 5).

Most towns nominated by these submissions are relatively small population centres (from fewer than 1,000 to around 4,000) with some towns experiencing recent population decline between 2011 and 2016. Dareton with a population of 501 and Wentworth with a population of 1,221 have both lost services in recent times. Many have a greater percentage of population aged 65 years or older than, and a median household income similar to or less than the median compared with all regional NSW.

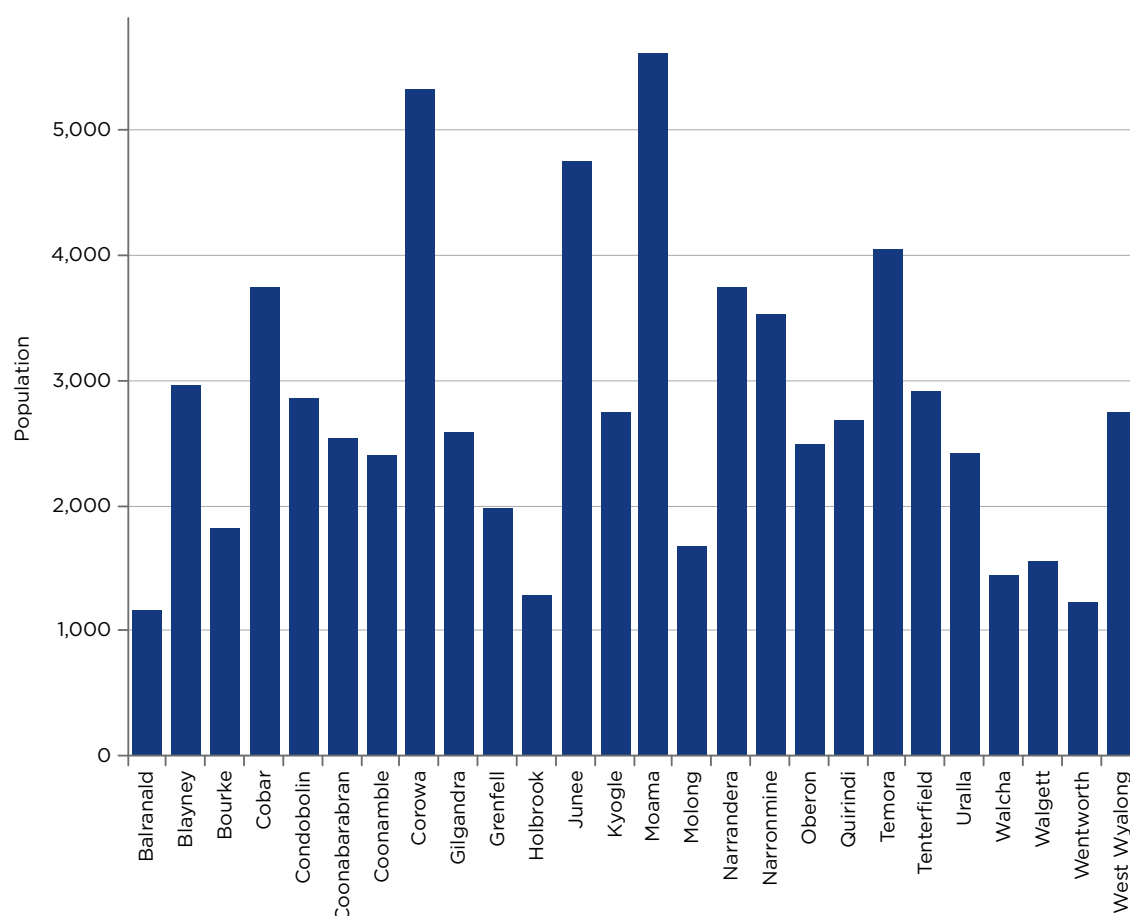


As indicated in [Figure 24](#), LGAs without taxis are generally in the western half of NSW and lack a population centre greater than about 2,500 residents. Of these, about two-thirds are projected to experience a decline in population from 2016 through to 2041. Smaller towns and centres in these locations may have access to NSW TrainLink services supporting longer distance travel, but at a limited frequency and not for local journeys. In many small and remote centres, the only form of transport available for shorter distance trips is community transport.

The review identified 26 LGAs that met the taxi licence number and population criteria set, with the largest town having a population of 5,620 (see [Figure 25](#)). Each LGA was profiled and the councils and the taxi operators in each were invited to complete a survey to help the review understand services in those towns.

Population in each LGA was forecast to decline in 18 of the 26 LGAs between 2016 and 2041 with a median decline of -11 per cent.

**Figure 25. Population 2016 – largest town in each of 26 LGAs**



Source: [Australian Bureau of Statistics 2017, 2016 Census of Population and Housing, cat. no. 2001.0](#)<sup>159</sup>.

A number of factors were examined to identify which communities may be most vulnerable in the event a taxi or other point to point service ceased operating. These included Socio-Economic Indexes for Areas (SEIFA) produced by the Australian Bureau of Statistics (ABS), car ownership levels, age profiles and percentage of Aboriginal and Torres Strait Islander population.

While there was a degree of variance throughout:

- 19 of the 26 LGAs had a median age at or above the median for regional NSW of 43
- 16 LGAs had a higher proportion of Aboriginal and Torres Strait Islander residents than the NSW regional average of 5.5 per cent, with the highest around 30 per cent in three LGAs
- 20 of the 26 LGAs were in the lower half of the SEIFA rankings for LGAs in NSW.

## Council survey

Sixteen of the 26 councils responded to the survey. Even though the review understood those 16 LGAs had taxis, three councils responded that taxi services were no longer operating. One of these LGAs identified an occasional hire car service, however due to ill health of the operator and the coronavirus pandemic, this service was reported to be unreliable. One taxi service was noted as only operating sporadically in the past 18 months. Across the 16 council responses, only one small town of 1,159 people was identified as having a standalone booking service provider.

Courtesy services are operated by licenced premises in the main centre in 12 of the 16 LGAs. Councils understood that in most cases this transport was only available to venue patrons. In some locations these services were available during the full hours of venue operation and in others were limited to peak times such as Thursday, Friday or Saturday night.

All 16 LGAs have community transport. Most council responses noted that older residents accessing health services or making outings for essential shopping or social visits were the main users. Trips to nearby larger regional centres were also often cited for shopping and medical appointments. Most councils understood that community transport was only available to 'eligible' clients. Three councils advised community transport providers also serviced others in the community, in two cases for travel to nearby larger towns. When considering that a longer distance taxi trip would be prohibitively expensive assuming regulated fares were charged, this confirmed the view that in most cases community transport is complementary to taxi services not for the most part competing with them, particularly in these smaller towns.

It is acknowledged that the survey of councils does not provide a complete picture of the services provided by each community transport provider across all 26 LGAs. Even so, this evidence suggests, at the very least, that only a limited number of community transport operators do provide services to the general public on a full cost recovery basis. If they do, it is not well publicised or well-known. This is despite it being possible to do so by becoming an authorised booking service provider.

Limited 24 hours a day, 7 days a week transport was available in some LGAs. Six of 16 councils noted the local taxi or booked service would be available for urgent transport. One council cited a local church-based service provider as being available for urgent transport in the event of domestic or family violence. The remaining nine councils noted that no 24 hours a day, 7 days a week transport option was available other than an ambulance for urgent health emergencies.

Three councils noted the presence of a WAT within the town however the wheelchair accessible vehicles across the surveyed LGAs appear to be largely limited to community transport or NDIS providers, with 10 of 16 councils noting this as the only option available in the community. The reliance on community transport providers and restricted eligibility for community transport may pose challenges for equitable access to transport in regional areas. Some councils indicated they were not aware of any wheelchair accessible transport within their area.

Additionally, TTSS subsidies are restricted to taxis, meaning if there is no taxi or a WAT, TTSS participants in such locations (or those who would be eligible for the TTSS) are not able to benefit from the generous provisions of the scheme.

## Taxi operator survey

Taxi operators in the 26 LGAs were also surveyed, with seven operators responding. Of these, six ranked their level of confidence in their business as 3 out of 5 or above.

When responding to questions about the future of their business, some operators expressed subdued confidence, noting their business is 'slowing', 'probably won't go back to full capacity' and 'would be very hard without pubs, clubs and school runs'. One expressed greater confidence, with one hoping for 'expansion due to flights in and out of town', while others expected ongoing stability due to their view that they provide a 'necessary community service' and with 'no other transport options in town'.

The seven taxi operators all reported undertaking some form of government subsidised trips, including trips under TTSS and ASTP, as well as trips for the Department of Veterans Affairs (an Australian Government agency). The number of such trips through an average month varied greatly between operators. A number of taxi operators noted they had partnerships with local organisations beyond the government subsidised trips, including:

- local taxi business was purchased by the local club which supplies subsidised trips to and from the club
- local club provides \$5 taxi vouchers to get members home
- voucher system with local aged-care facilities and local bowling club. Aged care facilities are invoiced for half the fare with passengers paying the other half.

These arrangements indicate a willingness to partner and are commendable approaches to utilising local transport assets and resources to solve transport problems in local communities.

## Findings

The smaller LGAs examined by the review tend to demonstrate a typical pattern of transport service availability in their largest population centres:

- most have taxis but they are not necessarily operating 24 hours a day, seven days a week
- they all have community transport
- disability service providers may offer transport, but only to clients of the service and incidental to the other service they provide (presumably under the NDIS)
- licenced venues typically operate courtesy services for patrons of the venue, either during all operating hours or on weekend nights
- most do not have a commercial booking service provider (hire car service or rideshare services) as yet
- the level of car ownership is high – 94 per cent or more of households ranging down to 88 per cent or thereabouts.

Considering the locations where taxis have stopped operating, it would seem that any commercial viability issues facing point to point service providers in the more sparsely populated parts of regional NSW are not because of competition arising from the point to point reforms but reflect population, which in many areas is declining, and high levels of car ownership and dependence.

As one country taxi operator told the review the main competition is the private car. At the same time the survey responses from taxi operators indicate most had a cautious level of business confidence ranking it at three out of five or above. Even so, submissions and correspondence to the review noted the challenges for point to point services in these thinner markets. The Community Transport Organisation noted:

*'particularly common in rural areas with low population density, transport services are generally resourced for low levels of frequency and accessibility. Mapping may evidence the presence of a train or bus service, but often, that service travels through a community and does not serve the community. Taxi operators in low density population areas sometimes trade for limited hours or select days, limiting customer travel to narrow time frames. Mapping of transport services does not always evidence the transport services that a community actually receives. Limited choice: a thin market.'* (p 5)

Similarly the Country Taxi Operators Association advised:

*'We know of four towns that have completely lost their taxi service since January 2020 and another town that has dropped from three taxi plates to one part time plate- all operators advise us that the additional compliance and reporting required under the new Point to Point Regulations are what 'tipped' them over the edge and they have decided it is not worth operating a marginal taxi business with this additional cost and work load.'* (by email 5 May 2020)

## **Implications of losing point to point transport services**

Based on the evidence, the review concludes that with very few exceptions taxi operators continue to be the only commercial point to point transport service available to the general public in more sparsely populated areas of the state. They provide a critical service to such communities, have brand recognition and wherever possible steps should be taken to support their continued operation for members of the general public who depend on them for transport. As indicated by the council survey, community transport, courtesy services and transport provided by disability services do operate, but council understood they were for the most part only for designated clients or patrons.

However, as noted earlier, community transport providers contracted under the CTP are capable of servicing 'transport disadvantaged' people, including those in locations with an absence of transport services.

Where taxi services have ceased operation, this has been in locations with small population centres, often isolated in rural and regional parts of NSW where population is projected to either remain flat or decline. Where smaller towns continue to have taxis, it is usually a single operator with one or a small number of vehicles. This poses some risk for towns that depend on a sole taxi operator as the only service available to the general public. The expansion of rideshare services into regional areas may offer additional choice for customers, however its ability to service small population centres remains untested in NSW.

It is notable that some of the taxi operators surveyed considered they were providing a necessary community service and for this reason, even with declining population, they expected to continue to operate.

Taxis are often the only publicly available transport for regional residents who don't have a car or are unable to drive. If taxis cease operation, certain communities may be more vulnerable and experience greater hardship if a taxi ceases operation. This vulnerability will likely hinge on one or a number of factors including:

- the number of households without a car. Typically there is a high level of car ownership and dependence in country towns; those who do not have a car are left overly reliant on limited services in thin markets.
- the proportion of the population aged 65 or over. Smaller country towns often have a higher proportion of people in this cohort, many of whom no longer drive or drive long distances
- whether there is any other transport service available to the general public for those who do not have a car
- the socio-economic profile and the number of ATSI residents. A relatively low SEIFA index rating and higher proportion of ATSI residents may leave many with little discretionary income to cover transport needs

- the proportion of residents with a disability, many of whom, including wheelchair users, depend on point to point transport services as their only means of transport
- whether the area is classified as remote or very remote. Residents in such locations typically need to travel longer distances to access essential services e.g. health services.

As noted above, in these sorts of situations, it would be possible for a community transport provider to step in to provide services, given the broad definition of transport disadvantage.

Also of concern is that TTSS participants can only use scheme vouchers for trips in licenced taxis. Where a taxi ceases operation, TTSS participants effectively lose access to the significant benefits of this scheme. If accepted, the recommendation earlier in the report to immediately extend the TTSS to community transport providers in such locations would address this.

Similarly, where a WAT ceases operation, those who need to travel in a wheelchair may have no other means of transport. It is notable that nine LGAs surveyed reported no wheelchair service was available or there were insufficient WATs to meet local demand. The recommendation concerning wheelchair services dealt with in [Section 7.3](#) would also help to sustain accessibility to services in such areas.

## What should be done

### Local Point to Point Transport Plans

Regardless of the size of the town, where services are at risk of either scaling back or ceasing operation TfNSW is well-placed to work with local stakeholders in regional locations to identify if there is any unmet transport need and where there is, to develop options to meet that need through a local point to point transport plan.

In the first instance where a taxi service is understood to be considering winding back or closing, the intent of such a plan would be to identify what could, if anything, make that service viable. A 24/7 service may not be viable, or indeed necessary for the town, but a part time service with hours of operation established to meet the transport needs of the core customer base could mean the service continues to operate. The 16 councils who responded to the council survey all had a mix of transport services, albeit in some cases there were restrictions on who could use them. Greater collaboration with the community transport and other transport service providers may also open up opportunities for mutually beneficial outcomes.

Community transport operators would be essential partners in developing such plans.

As the Community Transport Organisation (CTO) noted:

*‘community transport services understand how to maximise their resources by making use of spare capacity. That is, filling empty seats in a vehicle travelling to a common destination, or with diversions along a common route.’ (p 5)*

The CTO went on to recommend:

*‘that TfNSW consult with CTO and the community transport industry to identify and support appropriate business development and service delivery models that breach the gap of diminishing or absent taxi services, addressing constraints of the TfNSW community transport contract.’ (p 7)*

Alongside community transport, the willingness of licenced venues to shape their offering beyond a courtesy service for patrons to one made more available to the general public should be explored. Community transport and courtesy vehicles represent a considerable asset across regional areas and where possible they could be harnessed to shape a local transport offering.

The review notes recommendation 16 in the Taxi Council submission, that the government direct more contract work to support the supply of 24 hours a day 7 day a week services. However the allocation of work under the various programs mentioned by the Council is undertaken according to the procurement processes applying to those programs which alongside safety, are typically concerned to ensure value

for money for the taxpaying public. Taxis already undertake DVA and ASTP work and in many locations undertake a considerable amount of work referred by community transport operators. Nevertheless exploring partnerships and collaborations to deliver government funded point to point transport services could be facilitated through a local point to point transport planning process.

If necessary, funds could be sought through the Community Transport Program to support ongoing services in such communities. The review believes these funds should be contestable as this would enable existing point to point transport providers, notably taxis, to compete for any such funds.

The opportunity for these collaborative endeavours to obtain seed or trial funds from the TARP program (described earlier) should also be promoted and explored.

## Regional wheelchair accessible services

Of concern to the review was the number of regional councils that reported they had no or only limited access to a WAT, with only three of the 16 councils reporting they have a WAT operating in their areas.

*'This is a major concern. Council has lobbied for accessible transport options for many years. The current on demand service is providing a valuable service however financially it is not feasible for the operators to invest in an accessible bus.'* (Greater Hume Shire Council, LGA survey response)

In a number of towns community transport services have wheelchair accessible vehicles, but typically these were only available to eligible clients as are those vehicles operated by disability service organisations.

Early sections of this report refer to the costs and likely revenues associated with operating a wheelchair accessible vehicle in the regions. Also mentioned is the range of incentives and subsidies available to encourage operators to put WATs on the road and to encourage drivers to preference customers in wheelchairs. However where markets are thin, a WAT may well not be commercially viable, even with the expanded subsidies and incentives recommended elsewhere in this review report.

The Community Transport Organisation acknowledged the lack of wheelchair services in certain regional locations and recommended that:

*'If NSW provide assistance packages for community transport services to expand the wheelchair accessible transport options for customers across NSW and further that assistance packages should be developed in consultation with CTO and the community transport industry, ensuring methodology to initially support communities with the greatest need.'* (p 7)

The review believes the recommendations on the TTSS and the subsidies and incentives for wheelchair services recommended by this review should go some considerable way to address the lack of wheelchair accessible vehicle in more sparsely populated areas of the state.

To increase the transport options available in smaller towns, community transport organisations should be encouraged to become authorised as booking service providers. This would provide more customer choice and secure services, especially the availability of wheelchair accessible transport services in regional locations. If they were authorised these organisations could operate hire vehicles and offer the service to the general public, filling any gaps in service left by the departure of a taxi operator or other point to point transport provider.

## Promote opportunities for participation in the point to point transport market

The review was heartened to learn that a booking service provider was operating in a town of less than 2,000 population, marketing the service as a taxi alternative. Beyond that however, there was little evidence that knowledge of the now lower barriers to entry for booked services had filtered through to smaller regional locations.

That could well change. Uber has cited the progressive NSW point to point transport reforms as one of the key enablers of it opening up services across regional NSW (Uber submission, p6). Initially beginning with six regional NSW cities in late 2018<sup>160</sup>, Uber has continued to expand its operating area across

regional centres throughout 2019 and has announced it will open its operation state-wide on 26 June 2020, allowing drivers to register and operate throughout regional NSW ([Uber 2019](#)<sup>161</sup> and [Uber 2020](#)<sup>162</sup>). Ola has launched in Newcastle ([Newcastle Herald 2019](#))<sup>163</sup>, and its website states that it also operates in the Central Coast, Wagga Wagga and Wollongong ([Ola 2020](#))<sup>164</sup>.

Regardless of the likely growth and spread of rideshare services in regional NSW, the review believes there is further potential for other innovative businesses to enter the market offering niche or essential services, especially in the context of recommendations to further free up the market to enable more cost efficient and flexible service provision.

The review was encouraged by its consultations with regional and local business chambers representatives who highlighted particular opportunities for business development and innovative services to meet transport gaps in their regions.

Efforts to promote and undertake education on point to point transport authorisation requirements should encourage newer entrants to the sector, including in regional locations. The review believes that TfNSW is well placed to consult with the Small Business Commissioner and Business NSW (the business chamber movement) to develop and implement a program for roll-out throughout the regions.



## 10 Conclusions

By establishing this review, five years on from the Taskforce, Minister Constance provided a significant opportunity to pause and take stock of the current market for point to point transport in NSW and to assess how both the industry and consumers are responding to the reforms to date.

The available evidence suggests the picture is, by and large, positive. The overall market for these services has grown. More people are using point to point transport than ever before, with more participants in the market offering a variety of services to the community.

Nevertheless, gaps remain, anomalies are evident and improvements can be made. This review has recommended a range of adjustments to create a more level playing field between taxis and booked services in relation to matters such as road and kerbside access, services for transport disadvantaged passengers, and resolution of insurance issues, amongst other things.

The review has also made recommendations to address potential gaps in point to point services in regional areas. This should mean that people living in less densely populated parts of the state for whom neither public transport nor the private car is an option do not lose the ability to move around within and beyond their local community. This is especially important for those requiring wheelchair accessible services.

More fundamentally, the review has concluded that the time has come for structural change to the management of taxi supply. This will unlock the value currently caught in ordinary taxi licences and free it for reinvestment in a more responsive and innovative taxi industry. Thus it recommends the end of controls on the number of taxi licences, with anyone wishing to operate a taxi service able to obtain a taxi licence on demand for an administrative fee, for use anywhere in the state. Connected to that, taxi operators should be free to set their own fares, with guidance offered to them and the public in the form of an indicative fare schedule.

This will complete the ‘unfinished business’ of previous point to point transport reforms.

It is acknowledged that the end of ordinary taxi licences will impact on current owners, many of whom have already seen the value of their plates fall in recent years. If the Government adopts that change the review believes assistance should be provided for those who suffer significant financial loss.

The review notes the five year statutory review of the P2P Act, due to commence in 12 months, will provide a further opportunity to consider the regulatory framework, particularly in relation to safety and other issues. Such matters were raised by many participants, but were outside the review’s terms of reference.

### A note on implementation and monitoring

Given the findings about the point to point transport market, the current difficulties being faced by taxi services in particular, and the urgent need to free the taxi industry to compete more effectively, the review concludes the changes it recommends should be made sooner rather than later as taxi industry participants should be given the chance to restructure and refocus now. Ideally the cap on licence supply should be lifted before the next annual determination, which is due in March 2021, saving the industry the effort of making further submissions along the same lines as those made to this review. Many recommendations require only administrative action, and these should be expedited wherever possible so that the industry’s opportunity to grow and adjust to customer demand is not further delayed.

The review is optimistic that the recommendations will bring positive outcomes for customers and industry participants in the long term (noting the short term pain for some). Nevertheless, change is not without risk, in particular risk of unintended consequences. The potential for such consequences is real, and jurisdictions the world over continue to grapple with the implications for their communities and economies of expanded point to point transport service offerings.

The review urges government to closely monitor the impact of the recommendations, particularly in relation to the following:

- Increased congestion because of more vehicles on the road – both in terms of impact on traffic flow and travel times overall or in specific ‘hot spots’, as well as emissions and general sustainability impacts
- the impact on public transport use and active transport if more passengers use point to point transport – this can have financial sustainability implications for public transport, as well as health and wellbeing impacts
- technological innovation such as connected and autonomous vehicles – this presents as an opportunity for improved point to point transport, but it remains to be seen how it impacts both this industry and other transport modes
- use of hybrid and electric vehicles in point to point transport fleets as an opportunity to control and reduce emissions
- regional markets – the review has recommended direct action in the form of local point to point transport plans for areas identified as at risk of losing point to point services and the possibility of market failures arising from the reforms in regional areas generally should be monitored (e.g. poor service quality, over or under-supply, services closing, incidence of rogue operators).

Robust evidence is fundamental to framing sound policy advice. It is also essential to meaningful monitoring. Unfortunately, the review found that in some cases, sourcing reliable and publicly available data on industry trends was difficult. The review considers that at the very least there needs to be basic longitudinal measurement of key parameters and arrangements should be put in place to collect comprehensive industry data.

Point to point transport services are being re-shaped through technological innovation and robust data analytics to provide improved services for customers in other parts of the world. There is a huge opportunity for government to work with industry to collect and share data to monitor transport use, consumer needs and behaviours and to shape increasingly sophisticated ways of planning, coordinating and delivering responsive services in NSW. The review urges all participants to make concerted efforts to pursue such opportunities.

## **The future**

Some were of the view that it was inappropriate to conduct the review during the coronavirus pandemic. Physical distancing measures certainly impacted how consultation was conducted. Fortunately technology provided alternative and pleasingly, satisfactory ways to hear what everyone had to say.

Alternatively in the face of adversity lies opportunity and the challenging period we find ourselves in is an opportune time to implement these recommendations. This will put the point to point transport sector on a surer footing, allowing it to innovate and grow and provide services that customers want and value, as the economy recovers.

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# Endnotes

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- 41 This 50 million is by no means an accurate measure. It is estimated from IPART's early estimation of about 43 million taxi trips in the Sydney market prior to the reforms roughly rounded up to 50 million to account for country trips (about 5-6 million extrapolating the Taxi Council country plate survey data to all country plates) plus those provided in limousines and hire cars (estimated at 2-3 million at the time). This estimate pre-dates any significant rideshare component.
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- 47 A Passenger Transport (PT) licence code is a code on a NSW driver licence that identifies drivers who meet licence and medical standards required to drive a point to point vehicle
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- 109 For example, Cessnock Taxis complained about ‘NDIS providers, they make their own rules they don’t have to abide by any point to point rules at all so their costs are down we can’t compete’.
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- 126 <https://www.transport.nsw.gov.au/sites/default/files/media/documents/2017/point-to-point-transport-taskforce-report-to-minister.pdf>
- 127 [www.parliament.nsw.gov.au/lcdocs/submissions/68016/0063%20NSW%20Government.pdf](http://www.parliament.nsw.gov.au/lcdocs/submissions/68016/0063%20NSW%20Government.pdf)
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- 130 <https://www.transport.nsw.gov.au/sites/default/files/media/documents/2017/taskforce-report-recommendations-nsw-government-response.pdf>
- 131 <https://www.uber.com/au/en/drive/sydney/vehicle-requirements/>
- 132 <https://www.a2baustralia.com/upload/content/pdf/15.%202019%20Annual%20Report.pdf>
- 133 Note: Figures published by Department of Social Services as at 1 July 2018 were used for the AAPS
- 134 <https://www.transport.nsw.gov.au/sites/default/files/media/documents/2017/discussion-paper.pdf>
- 135 Submissions from Manly Warringah Cabs p 4, Byron Bay Taxis and Limousines, Legion Cabs, numerous individual submissions

- 136 Have Your Say Survey respondent B Efthimiou
- 137 Have Your Say Survey respondent D Matthews
- 138 <https://www.transport.nsw.gov.au/sites/default/files/media/documents/2017/point-to-point-transport-taskforce-report-to-minister.pdf>
- 139 The typical conventional Sydney taxi cost structure outlined in PWC (2018) includes a fixed cost component representing approx. 37% of all costs, including licence fees at 16% of all costs. Commercial viability relies on 502 shifts of 10 hours each on average during a year. Taking account of the time a vehicle is off the road for repairs and other reasons, double shift days dominate. With the fixed licence fee cost removed, fewer shifts (or hours per shift) will be needed to achieve commercial viability.
- 140 Monopoly profits were the sum of average private lease rates since the owner purchased the plate
- 141 <https://www.pc.gov.au/research/completed/taxi-regulation>
- 142 [https://parliament.nt.gov.au/\\_data/assets/pdf\\_file/0016/436120/Appendix-Biii.-Customers-First-Safet-ce-Taxi-Industry-Inquiry-Final-Report-Professor-Allen-Fels,-September-2012.pdf](https://parliament.nt.gov.au/_data/assets/pdf_file/0016/436120/Appendix-Biii.-Customers-First-Safet-ce-Taxi-Industry-Inquiry-Final-Report-Professor-Allen-Fels,-September-2012.pdf)
- 143 <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-economic-social-contribution-nsw-taxi-industry-121213.pdf>
- 144 Have Your Say Survey respondent P Coleman
- 145 <https://www.pc.gov.au/research/completed/taxi-regulation>
- 146 <https://www.pc.gov.au/research/completed/taxi-regulation>
- 147 The review acknowledges that licence lease fees plummeted in 2020 due to the devastating impact of the coronavirus pandemic on the point to point transport sector and some licence owners are not receiving any income from their licences as a result. Similarly the review recognises that the 2019-20 bushfire season left many regional licence owner-operators with little business, particularly due to downturn in tourism visitation and their local economies.
- 148 [https://future.transport.nsw.gov.au/sites/default/files/media/documents/2018/Regional\\_NSW\\_Services\\_and\\_Infrastructure\\_Plan\\_1.pdf](https://future.transport.nsw.gov.au/sites/default/files/media/documents/2018/Regional_NSW_Services_and_Infrastructure_Plan_1.pdf)
- 149 <https://www.transport.nsw.gov.au/sites/default/files/media/documents/2017/point-to-point-transport-taskforce-report-to-minister.pdf>
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- 151 Transport for NSW (2019a), Community Transport Program Evaluation Report, June 2019, unpublished
- 152 <https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-transport-services-admin-taxi-fares-and-licences-from-july-2018/publications-taxi-fares-and-licences-from-july-2018/final-report-taxi-fares-in-nsw-and-taxi-licences-outside-sydney-from-1-july-2018.pdf>
- 153 <https://www.transport.nsw.gov.au/sites/default/files/media/documents/2017/point-to-point-transport-taskforce-report-to-minister.pdf>
- 154 D Hallet CEO, Community Transport Organisation Inc, and B Simmonds, Community Transport Company (Operator in Coffs Harbour and surrounds) meeting 1 May 2020
- 155 Based on data provided by TfNSW
- 156 Email from K Stace, State Manager, New South Wales National Disability Services 6 July 2020
- 157 M Irvine, Bathurst Business Chamber, Consultation session 6 May 2020
- 158 <https://www.planning.nsw.gov.au/-/media/Files/DPE/Other/Research-and-demography/Population-Projections/2019-NSW-Population-Projections-DPIE-Planning-Regions.xlsx>
- 159 <https://datapacks.censusdata.abs.gov.au/datapacks/>
- 160 <https://www.uber.com/en-AU/newsroom/regionalnswlaunch/>
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- 162 <https://www.uber.com/en-AU/newsroom/helloagainregionalnsw/>
- 163 <https://www.newcastleherald.com.au/story/6600351/ola-enters-newcastles-ride-share-market-this-week/#:~:text=A%20new%20player%20will%20enter,the%20Central%20Coast%20and%20Toowoomba>
- 164 <https://ola.com.au/rider-faq/>

## **Point to Point Independent Review 2020**

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978-1-922463-01-2  
JULY 2020