IPART
Independent Pricing and Regulatory Tribunal
New South Wales

Our reference: 15/53
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Contact Justin Robinson
T [redacted]
E [redacted]

8 May 2017

Clare Gardiner-Barnes
Deputy Secretary
Freight, Strategy and Planning
Transport for NSW
18 Lee Street
Chippendale NSW 2008

Dear Ms Gardiner-Barnes,

POINT TO POINT TRANSPORT (TAXIS AND HIRE VEHICLES) REGULATION 2017

Thank you for the opportunity to comment on the proposed Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017 (proposed Regulation).

At the request of the Minister for Transport IPART has undertaken several annual reviews recommending both taxi fares and licence numbers. Under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016* (the Act) the Minister may refer to IPART reviews of the number of taxi licences and maximum fares for services. This makes us well placed to comment on aspects of the proposed Regulation.

We support a simplified regulatory framework that applies to all participants, lowers barriers to entry and allows the market to better match supply of and demand for point to point transport services including taxis and hire vehicles. We consider that the proposed Regulation is a move closer to a simplified regulatory framework. In the sections below, we outline our views on specific matters within the proposed Regulation.

We support outcomes-based safety regulation

We support a uniform safety standard across providers, except where additional safety precautions are needed. The proposed Regulation does this in Part 2, by requiring the same standards for taxis and hire vehicles for:

- safety
- safety management systems
- insurance
- provision of information
- driver eligibility, and
- notifiable occurrences.

The differences contained in the proposed Regulation between taxis and hire vehicles regarding vehicle standards appear to reflect the additional risks created by rank and hail services. This is consistent with our view that rank and hail services are higher risk. We consider that these safety and security arrangements should be outcome-focused rather than prescriptive.

Fees should recover efficient costs

We consider that fees for Government services should be set to recover the efficient costs of that service. We support an authorisation fee schedule that recovers the efficient costs of regulating point to point services. The proposed Regulation and supporting materials do not claim or provide evidence that the proposed authorisation fees will recover efficient costs.

Providing estimated fares helps customers make educated decisions

We support the requirement that fare estimates include information on when they may vary and how the variation is calculated. This provides additional customer protection, and helps customers make informed decisions in a competitive market.

Where quantity is fixed, licence fees are best set by the market

We consider the best approach to taxi licence fees is to set the price at the cost of supply and let the market determine the quantity supplied. However, the Act requires that Transport for NSW determine the number of taxi licences supplied each year. Under this constraint, we consider that the market is the best mechanism for setting licence fees.

A well-designed auction or tender will reveal the market price of taxi licences. Bidders will take into account any conditions on that licence, including requirements to prioritise disability services and restrictions on time of operation. An auction or tender should include conditions that:

- bidders must purchase the licences at the prices bid, or
- where a bidder opts not to purchase the licence, it will be offered to the next highest bidders (at that bidder's bid prices) until the licence is sold.

The auction or tender would set the market price of providing the taxi service. There should be no circumstances where Transport for NSW has an economic reason to doubt the bidders will not provide the service. We do not support the inclusion of clause 47 in the proposed Regulation.

Provisions for IPART investigations

We support the addition of Schedule 2, clause 15 to the Act as contained in the proposed Regulation. This amendment would allow IPART to commence any review referred to us by the Minister immediately.

IPART's contact officer for this matter is Justin Robinson, Principal Analyst, contactable on [redacted]

Yours sincerely

Peter J. Boxall AO
Chair