

Taxi and Chauffeur Vehicle Industry Review: Response Paper

September 2015



PURPOSE

This submission is in a response to a request by the newly formed South Australian Review Panel of the taxi and chauffeur vehicle industry, providing initial comment on the questions posed by the panel so that they can develop a formal discussion paper.

The elected Review Panel is calling for input and comments on:

- what are the opportunities for improvement of the taxi and chauffeur industry?
- an outline of the current and future challenges of the taxi and chauffeur industry
- how and what the future of the taxi and chauffeur industry looks like?

EXECUTIVE SUMMARY

RAA supports the State Government's commitment to reviewing current and future practices within the taxi and chauffeur vehicle industry. In compiling RAA's submission we conducted an RAA poll, providing thoughts and opinions on this topical issue.

RAA emphasise the importance of ensuring the future discussion paper is balanced and incorporates all aspects of on-demand transport. South Australian residents are still relatively unsure of new app-based entrants, such as "Uber" and "Lyft" and how they can and would ensure safety for users.

RAA poll respondents indicated customer service levels could be improved within the existing taxi industry, (only 50% of RAA poll respondents indicated a good taxi experience), with convenience being the main reason for using a taxi.

South Australian Government should assess the outcomes of the Western Australian Government review currently underway.

DISCUSSION

App based on-demand transport services are proving to be a disruptive technology, that has questioned the "business as usual" models of traditional taxi and chauffeur vehicles worldwide. New and emerging technology offers an opportunity for improved services, accountability and safety for both drivers and passengers.

Integration of technology into main stream on-demand transport services has to date been problematic, partly due to the speed of technology development and application along with the highly regulated environment of the taxi and chauffeur vehicle industry.

South Australian Taxi Industry

The Australian Taxi Industry Association, (ATIA) releases annual taxi statistics¹, and South Australia has 1273² taxi's, which represents approximately 6% of all Australian metropolitan taxis.

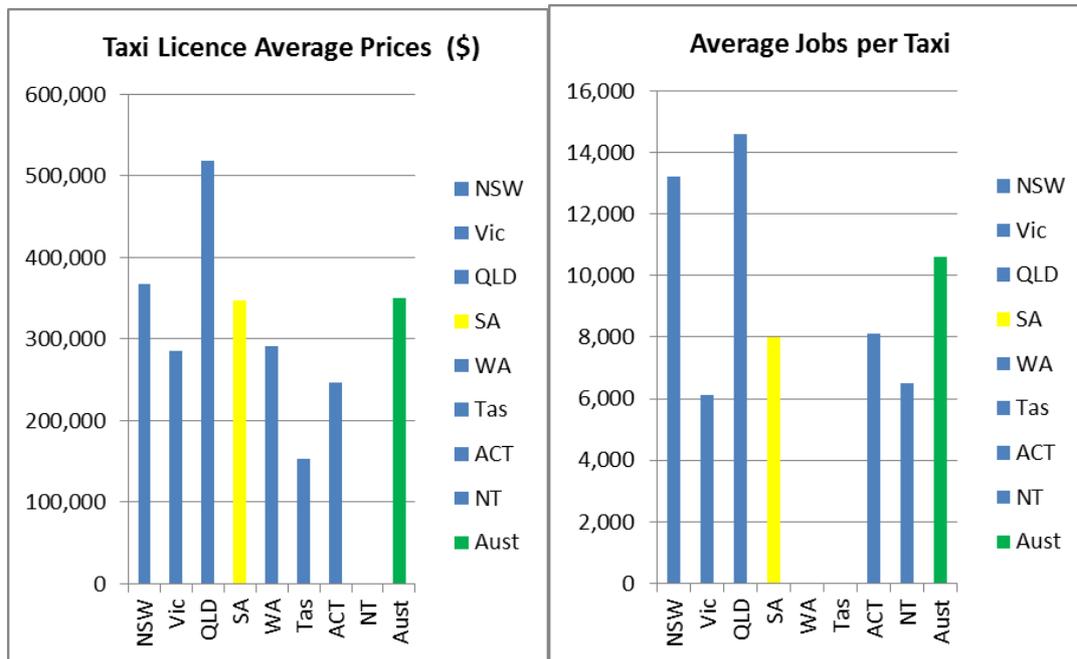
In South Australia taxi licences are purchased and then either operated as an owner/driver, sub-leased or contracted to other drivers. Licence prices vary across Australia; South Australian prices third most expensive (\$348,100 per licence in 2014) after Queensland and New South Wales (\$519,000 and \$367,000 respectively).

Adelaide logged approximately 10.165 million jobs in 2014, with an average fare of \$21.50 the second lowest fare rate marginally to the ACT at \$21.23.

¹ Statistics are only available for metropolitan South Australia; country taxis are captured under special licencing conditions

² ATIA December 2014 statistics

Metropolitan Adelaide taxis perform on average 8,000 jobs per taxi annually, this is significantly below the Australian average of 10,600 jobs per taxi.



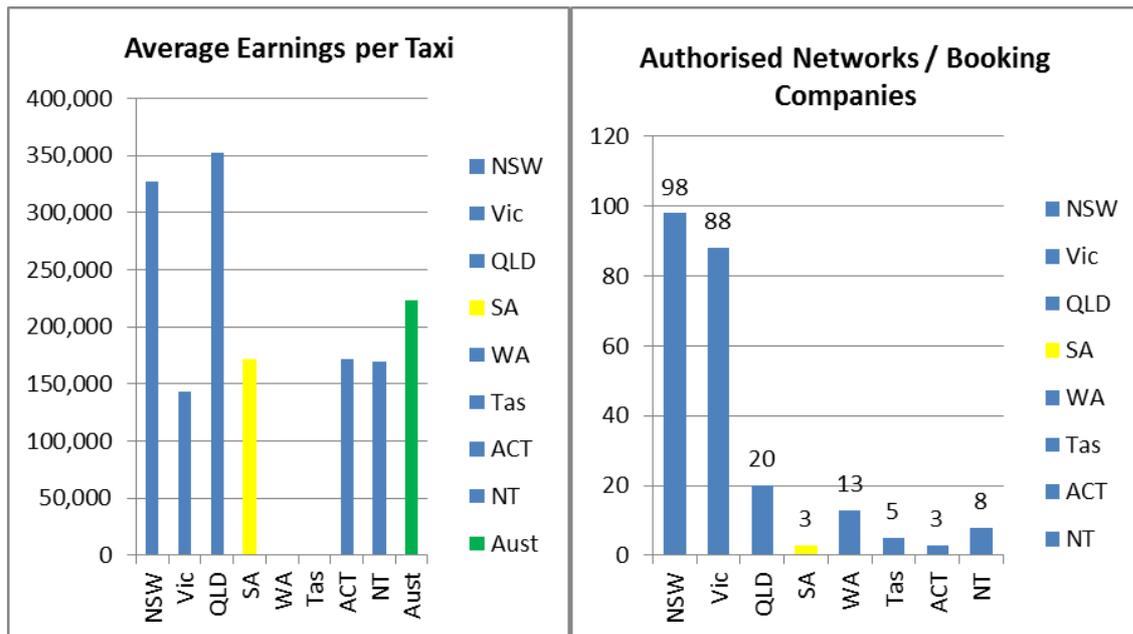
When extrapolating this to average taxi earnings³ South Australian taxi operators potentially have significantly lower average earning potential than NSW and QLD, while costs of plates are higher and job volume and average fare revenue is lower.

South Australia has a significantly lower number of authorised taxi booking companies than other states, with only three booking companies: Suburban Tax, Adelaide Independent and Yellow Cab Co.

When comparing taxi industry monthly radio fees, they are slightly above the national average (\$685p/m) for South Australia (\$717 p/m) and significantly more expensive than NSW, WA and Tasmania (\$650, \$620 and \$485 p/m respectively).

Nearly 50% of fares generated in SA are booked jobs, whereas NSW has only 20% of fares booked.

³ Acknowledging no figures are available for Tasmania or Western Australia



REVIEW DISCUSSION

RAA has an active group of members which are polled on various topical subjects throughout the year. To ensure RAA comments are in line with member views we have polled this group recently on the taxi industry and ridesharing apps such as “Uber” and “Lyft”. When seeking RAA Member thoughts, we utilised the Taxi and Chauffeur Vehicle Review Terms of Reference as a guide to asking improvement questions. The questions were also forwarded to the Transport Minister’s Chief of Staff.

When asked about taxi usage, 16% of RAA poll respondents confirmed they had never used a taxi; with a quarter accessing taxi services on a monthly basis. Of those that had utilised taxi services, 74% cited convenience as the key reason with reliability only rating 3%.

The sentiment of members is captured in the following RAA Member comment:

“Fairer system for the drivers and passengers that improves the quality of the passenger experience⁴”

Of RAA poll respondents that are frequent taxi users generally they are;

- less likely to believe app-based ridesharing models are illegal
- more likely to consider using app-based ridesharing services in the future
- more likely to agree app-based ridesharing services require regulation to operate

What are the opportunities for improvement of the Taxi and Chauffeur Industry?

The current discussion questions pose limited scope to comment on app-based ridesharing services; the use of the term “On-demand⁵ Transport has been adopted by Western Australia in the recently released “*On-demand Transport – A discussion paper for future innovation*”, the paper highlights the inevitability of change:

⁴ RAA Member Panel comment

⁵ On-demand transport: A user-oriented form of transport characterised by flexible routing and scheduling of small/medium vehicles operating between pickup and drop-off locations according to a passenger’s needs.

“A failure to respond to external pressures and the changing needs of the consumer could potentially render the current on-demand transport services ineffective in the face of new and innovative industry entrants that provide a greater scope of consumer-focused service options⁶.”

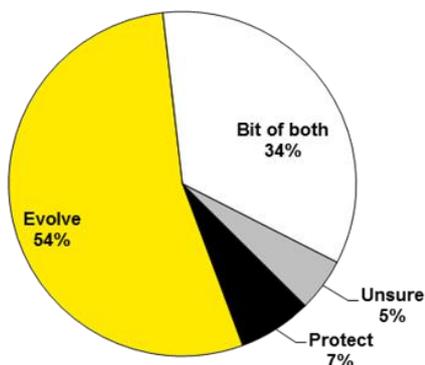
Over 54% of RAA poll respondents were in favour of regulation that was designed to evolve and accommodate new services, allowing for greater safety and customer choice; 7% were in favour of regulation to protect industry.

“UberBlack” currently operates in South Australia; there is now a call for the cheaper “UberX” services to also be allowed to operate, there has however, been no mention of “UberTaxi⁷” coming to Adelaide.

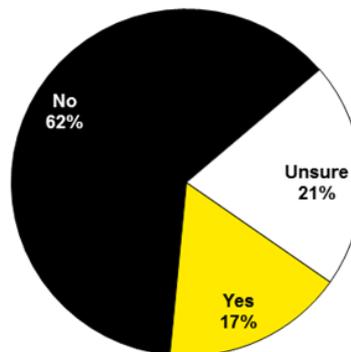
When asked about ride-sharing apps and regulation, RAA poll respondents believe regulation is required (62%) with 17% of respondents believing no government regulation was required for app-based ridesharing services to operate. Member panel sentiment is consistent with the following comment:

“Without some regulation and governance how does the consumer know the rideshare being offered is roadworthy, licensed and safe? Whilst over governance exists in many areas, the public needs to be assured ridesharing is safe.”

Do you believe government regulations should be designed to protect existing services or evolve to accommodate new services that provide consumers greater choice?



Should app-based ridesharing services be able to operate in South Australia without government regulation?



RAA asked respondents:

The State Government has announced a review of the Taxi Industry, which has been deemed, an opportunity for lasting improvements. If you could change one thing about the Taxi Industry, what would it be?

The most common responses included:

- Driver’s poor geographic knowledge/ communication skills / professionalism
- More driver training / screening required
- Lower prices
- Industry restructure / changes / review of licencing fees

⁶ RAA Member Panel comment

⁷ Utilisation of the current taxi fleet, at taxi fleet prices with additional Uber service and booking fees – cited as “Taxi without the hassle”

- Vehicle cleanliness
- Driver behaviour
- Reliability / preparedness to take on smaller jobs
- Drivers' working conditions
- Passenger safety / security

Generally respondents were positive that a thorough review of the industry could result in better service and conditions.

“My last 2 experiences in a taxi were not good. The drivers could hardly speak English and I put the window down a little because of the body odour. If ridesharing is introduced I would certainly want to find out more about it⁸.”

Western Australia is currently looking at reform within the taxi industry; the approach taken is to enable change through four key areas;

- A simpler approach
- Service improvement
- Achieving accountability
- Maintaining accountability

While the outcome of the Western Australian review is yet to be finalised, South Australia may consider their recommendations when developing the yet to be released discussion paper. Western Australia Government has carefully considered the investment in current taxi licence plate holders, and identified opportunities for future models to ensure an efficient on-demand transport system.

Comparing Western Australia's discussion paper a key element is dispatch services the current “best endeavour” approach to service is not aligned to customer expectations that a booked service be guaranteed. Western Australia is suggesting the implementation of measurable service standards along with increased market choice to improve reliability for consumers.

RAA members also commented on the frustration of a no guarantee service;

“Too many taxis arrive late and when booking the telephone operators states cannot guarantee you're booking time. If a taxi company cannot guarantee a booking time then they should not be in business⁹.”

An outline of the current and future challenges of the Taxi and Chauffeur Industry

Technology and consumer requirements will continue to challenge not only the taxi and chauffeur industry but many other traditional industries as well. RAA is not in a position to outline the challenges for the industry rather advocate on behalf of its members.

RAA Members are seeking greater choice in their mobility options, with convenience and safety primary motivators when choosing a mobility mode.

App-based booking is not a new phenomenon, with most taxi booking companies offering a form of app-based services, along with existing carpooling programs.

“(App-based ridesharing) appears to differ only slightly from carpooling, which has been strongly supported for many years by government bodies¹⁰.”

⁸ RAA Member Panel comment

⁹ RAA Member Panel comment

¹⁰ RAA Member Panel comment

Members identified that in some instances a more fluid approach may provide services to areas not currently serviced, and in times of peak demand.

“As I live in the hills I generally use the same taxi company that I know and trust due to some bad experiences with the better known taxi companies. I would consider using ride sharing services if they serviced my area¹¹.”

How and what the future of the Taxi and Chauffeur Industry looks like?

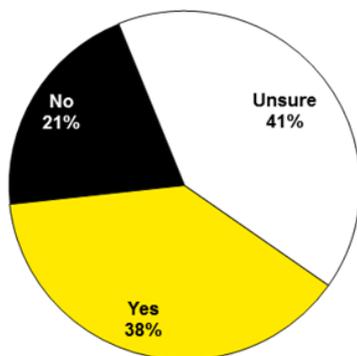
RAA supports our member’s views, that industry regulation should not inhibit natural improvements, business growth or the ability for new competition. Current regulation of the taxi and chauffeur vehicle industry are perceived to protect the industry rather than allow the industry to evolve.

Technology supports the opportunity for growth, development and enhanced transit experiences for drivers and commuters. The current discussions on legality of app-based ridesharing are partially out-dated, if technology has the ability to improve safety and increase satisfaction for both drivers and passengers; this should be the focus of the investigation and analysis.

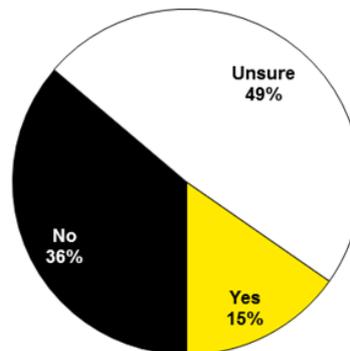
RAA members are uncertain of the application of app-based services, with 41% of RAA poll respondent’s unsure if this service should be introduced and 49% unsure if they model is illegal. Highlighting the need for increased factual information and informed debate.

“I know very little about app-based ridesharing, but safety, insurance, culpability, would be very concerning. I think people privately organise ridesharing but app based I think would need regulating as busses, taxis, chauffeurs, and any public form of transport has¹².”

Should the South Australian Government be encouraging the introduction of app-based ridesharing services?



Do you believe app-based ridesharing models are illegal?



Summary

The current state of play in South Australia has been challenged and it is clear from the taxi industry own analysis that it is struggling to remain competitive under the current regulatory burden.

¹⁰ RAA Member Panel comment

¹¹ RAA Member Panel comment

¹² RAA Member Panel comment



Western Australia's discussion paper highlights a model of reducing burden while being mindful to not disadvantage current taxi plate licence holders, with an emphasis on competition based improvements.

RAA poll respondents have indicated opportunities for improved service standards in particular a focus on safety and reliability. While reducing red tape is also supported in South Australia, a level playing field is advocated for any new market entrants.

“In discussing the government rules we need to differentiate between restrictive competition rules and rules about vehicle and driver/passenger safety. Rules about protecting existing operators have no place in the system¹³.”

RAA commends the State Government on initiating the discussion and review, and welcomes future engagement when the discussion paper is released. If in the interim there are any further questions please contact Mark Borlace, Senior Manager Mobility and Automotive Policy, on 8202 4665 or mborlace@raa.com.au.

¹³ RAA Member Panel comment