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Future Licensing Review

Part 2 – Future Options

August 2024

Queensland Government

A range of options are being assessed to determine the most suitable regulations across three key areas:



Licence caps – how should taxi service licence supply be managed?



Taxi Service Areas – should taxis continue to be limited in where they can operate or should taxi service areas be revised, merged or removed?



Flexible fleet – depending on how licences are issued, will substitute taxis and peak demand arrangements be needed?

Option A – Issuing new licences under current framework

Purpose

- Continued stability and operationalise current approach to licences.
- Government controlled approach to balancing supply and demand for taxis in the contemporary market.
- Provide certainty about peak demand arrangements.

Approach

Fully operationalise the current framework:

- cap the supply of conventional and WAT licences in each taxi service area
- TMR determines the appropriate number of licences periodically and will develop an approach for this based on key metrics of supply and demand
- new licences issued by public tender and limited to a 5 year max. duration
- substitute taxis retained to replace licenced vehicles when off the road and supplement fleets under a peak demand management plan.

Option A – Issuing licences under current framework

Benefits	Costs/Risks
• Ability for TMR to increase licence supply as local populations grow and age. • Minimal impacts to existing licence holders and perpetual taxi licences retain some value. • Limited improvements in service levels, with some decreases to taxi wait times for customers in some areas or at certain times (predominantly regional centres or during peak periods in urban areas) as populations and taxi utilisation increases. • Allows booking entities to manage periods of peak demand through existing peak demand arrangements at no cost.	• Significant barriers to entry for taxi operators. • 5-year maximum licence term might be insufficient for operators to recover their costs resulting in limited tender participation and offers. • Continued reliance on leasing and subleasing of existing taxis licences with associated costs for industry. • Regulatory imbalance in the industry continues – with differential entry costs between taxi and rideshare markets and within the taxi market and less flexibility for taxi operators. • Limited triggers for innovation in the taxi industry. • Peak demand arrangements are not a robust solution to peak demand management.

Option B1 – Modest changes

Purpose

- Government controlled approach balancing supply and demand for taxis in the contemporary market.
- Provide efficiencies for drivers in areas with higher levels of cross area trips that are close together.
- Provide permanent solution to peak demand management that is more consistent with the licensing approach.

Approach

Modest changes to the current approach:

- max. duration of new taxi licences extended to 10 years and still issued by public tender
- TMR determines the appropriate number of licences periodically and will develop an approach for this based on key metrics of supply and demand
- merge some taxi service areas in south-east, central and northern Queensland and develop an approach for this based on key metrics, and
- replace current peak demand arrangements with a new peak demand licence.

Option B1 – Modest changes

Benefits	Costs/Risks
• 10-year licence term more commercially attractive to operators and may allow cost recovery. • Existing perpetual taxi licences retain some value. • Merging some taxi service areas may reduce dead running and provide drivers with greater flexibility and trip efficiency. • Limited change in service levels in merged taxi service areas, decreases in taxi wait times in some areas (periods of high demand, significant events and regional areas).	• Significant barriers to entry for taxi operators. • Continued reliance on leasing and subleasing of existing taxis licences with associated costs for industry. • Regulatory imbalance in the industry continues - with differential entry costs between taxi and rideshare markets and within the taxi market and less flexibility for taxi operators. • New arrangements for issuing peak demand licences would involve a new cost for industry. • Limited triggers for innovation in the taxi industry. • Service levels may decline and wait times increase as drivers may move to areas of higher demand due to merged taxi service areas.

Option B2 – Fixed cost for new licences

Purpose

- Seek to balance supply and demand for taxis.
- Operational approach to manage surplus licences and their cancellation.
- Provide efficiencies for drivers in areas with higher levels of cross area trips that are close together.

Approach

- Maximum duration of new taxi licences extended to 10 years.
- TMR determines the appropriate number of licences periodically and will develop an approach for this based on key metrics of supply and demand.
- Merge some taxi service areas in south-east, central and northern Queensland and will develop an approach for this based on key metrics.
- TMR issues new licences at a set price (for example, $10-15K p.a.) and will develop an approach for this based on key metrics.
- Funds from sale of new licences used to support licence owners of cancelled surplus licences.

Option B2 – fixed cost for new licences

Benefits	Costs/Risks
• Increase the leasing of existing taxi licences and the utilisation of existing licences. • Increases income from existing taxi licences and therefore the likely value from existing licences. • Merging some taxi service areas may reduce dead running and provide drivers with greater flexibility and trip efficiency. • Addresses numbers of excess licences through ongoing Government intervention.	• Increased entry costs for taxi operators. • Continued reliance on leasing and subleasing of existing taxi licences with associated costs for industry. • Cancellations only apply to licences determined as surplus by TMR. • Government would intervene to set the market value for new licences. • Difficult and expensive for TMR to administer – requires access to information that it does not currently have and presumes it provides a basis for effective decision making. • Licence/lease cost may not be commercially viable in a competitive market and lead to higher taxi fares. • Regulatory imbalance in the industry continues. • Limited triggers for innovation in the taxi industry. • Not been used in other Australian jurisdictions.

Option C – More significant changes

Purpose

- Market driven supply of and demand for WAT licences.
- Easier access to WATs to improve current service levels.
- Government controlled approach to balancing supply and demand for conventional taxis in the contemporary market.
- Provide efficiencies for drivers in areas with higher levels of cross area trips that are close together.

Approach

- Issue WAT licences on demand for an administrative fee.
- Maintain the cap on the supply of conventional taxi licences, with new licences limited to a 10 year max. duration and issued by public tender.
- TMR determines appropriate number of conventional licences periodically and will develop an approach for this based on key metrics of supply and demand.
- Merge some taxi service areas in south-east, central and northern Qld.
- Remove peak demand arrangements, with WAT licences and booked hire service licences available on demand instead.

Option C – More significant changes

Benefits	Costs/Risks
• Unrestricted entry to the WAT market and reduced entry costs. • Opportunities for new and innovative WAT operators to enter the market. • Significant barriers to entry for conventional taxi operators may incentivise the uptake of WAT licences. • Potential for improved WAT to population ratios. • Reduced dead running and provide trip efficiency for drivers. • Improved supply in services, accessibility, and service levels, with decreases in taxi wait times in some areas (periods of high demand, significant events and regional areas).	• Continued reliance on leasing and subleasing of existing conventional taxi licences. • High operating costs for WATs will still be a barrier to entry. • Value of existing perpetual WAT licences will be adversely affected. • Service levels may decline and wait times increase as drivers may move to areas of higher demand due to merged taxi service areas. • Regulatory imbalance in the industry continues - with differential entry costs between conventional taxis and rideshare and WAT markets and less flexibility for conventional taxi operators. • Other jurisdictions have moved away from this as an effective approach.

Option D – Remove constraints on supply

Purpose

- Government ceases to balance supply of and demand for taxi licences, with this determined by the market.
- Flexibility to enter and exit industry based on market demand
- Provide efficiencies for all taxi drivers who provide cross area trips.
- Remove regulatory imbalance in the industry and provide more scope for service innovation.

Approach

- Remove the cap on the supply of all taxi licences, with annual licences issued on demand for an administrative fee.
- Remove operating area restrictions and abolish all taxi service areas.
- Remove substitute taxis and peak demand arrangements.

Option D – Remove constraints on supply

Benefits	Costs/Risks
• Unrestricted entry to rank and hail market. • Low entry and licensing costs for taxi operators/drivers. • More flexibility for operators to increase fleet size. • Reduced dead running and better trip efficiency for drivers. • Overall improved service levels and increase in number of taxi trips (largest change in regional and remote areas). • Improved supply in greater Brisbane and southeast coasts as operators can compete more effectively with ride-booking. • Higher potential for innovation in the taxi industry and emergence of new operators, services and/or fare structures. • Reduced red tape as the market directs the supply of licences and regulation is more balanced across the industry.	• Higher operating costs for WATs remain a barrier to entry and a shift towards conventional licences is likely to eventuate. • Potential for WAT supply and service levels for customers with disability to not improve or get worse. • The demand for and value of existing perpetual taxi licences will be adversely affected. • Service levels may decline and wait times increase as drivers may move to areas of higher demand due to merged taxi service areas. • Increase in congestion in some areas. • Government has less levers to shape service levels and other outcomes through supply controls.

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