Department of Transport and Main Roads

Queensland Good jobs Better services Great lifestyle

Future Licensing Review
Part 1 – Review Background

Presentation written version

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Queensland Government

Purpose of the Future Licensing Review

From 2016 to 2021, the Queensland Government implemented reforms to the personalised transport industry that aimed to ensure Queenslanders have access to safe, reliable, and affordable personalised transport services, and increased choice and flexibility. Stage 3 of the reforms evaluated the new industry framework to ensure it delivered the best outcomes for customers. The Stage 3 evaluation recognised further opportunities to review specific issues arising within the framework. These included reviewing the taxi licensing framework to ensure it is supporting the taxi industry's ability to compete effectively within the personalised transport industry.

In response to this, the Future Licensing Review has focused on analysing the regulatory framework in the areas of licensing, market restrictions and accessibility to determine if improvements are needed to support contemporary market conditions and enable taxi services to meet passenger needs. These issues involve considering whether given the legalisation of ride booking services in 2016 and the introduction of competition into the booked hire market, changes are required to improve taxi's ability to compete and meet customer needs.

Problems to resolve

No new taxi licences have been issued since 2014. The Queensland Government understands that taxi operators need certainty about their future operating environment, with regard to the approach to issuing new licences in the future and the restrictions and protections that those licences involve. An outcome of this review will be a decision on if new taxi service licences are needed and how they will be issued.

A permanent position is also required on peak demand management arrangements. Since the reforms, a temporary arrangement has been renewed several times. A long-term solution will be determined as part of this review.

A regulatory approach for taxis which is fit for purpose given the structural changes to the market and changes to taxi utilisation that have occurred since the reforms and the COVID-19 pandemic is needed. Following the introduction of competition in the booked hire market and reduced demand caused by the pandemic, many taxi operators have responded to reduced demand for taxi services by moving to single shifted taxis. Taxis are less likely to be double shifted 24 hours a day, seven days a

week. In addition, during the pandemic many taxi licence owners took their vehicles off the road. While the number of taxis off the road is decreasing, there are still many licences with no vehicle attached in some areas. Given these changes, an outcome of the review will be a position of whether it is necessary for government to limit taxi access to the market and seek to balance supply and demand in the way that it did when there was limited competition in the market?

Approaches to licence regulation

The approach to market and licence regulation has evolved significantly in the recent past. How government regulates personalised transport services depends on various aspects, but often will be informed around serving the public interest.

Prior to the emergence of Uber, there was limited competition in the booked hire market. In return, the Queensland Government imposed services obligations on taxi operators and booking companies to ensure that taxi services in larger areas were available to anyone, anytime, at a reasonable price. When imposing these obligations on the taxi industry, government had to control the market settings to balance supply with demand so that the underlying viability of the industry was not jeopardised and so that passenger outcomes, such as waiting times and fares, were not adversely affected by the closed market for personalised transport services. Government sought to balance supply and demand by periodically assessing the optimal number and mix of taxi licences and limiting the geographic areas in which taxis could operate.

The personalised transport reforms enabled ride booking services to compete with taxis and limousines in the booked hire market on an unrestricted basis. Government regulation was only maintained to the extent necessary to ensure safety, equitable access for people with disability, and accountability in the provision of services. This shift was implemented to encourage more innovation in the delivery of services leading to increased customer choice and flexibility.

In the future, there will be continuity with the approach and principles established during the reforms. Government will continue to enable services in a commercial and competitive market. The approach to licensing will need to provide flexibility for supply and demand to find equilibrium. Government will also continue to ensure that key services for people with disability are provided, in particular for people using a wheelchair.

Scope of the Review

The Future Licensing Review options are focused on the restrictions and protections that apply to taxi services, with a view to determining the most suitable future settings to meet customer needs.

The Review has not covered all the issues that stakeholders have raised about the current framework and the review's scope is not to provide an extensive set of reforms in a similar way to the Personalised Transport reforms. The Review has focused on ensuring the taxi licensing framework is consistent with the approach and principles established in the Personalised Transport reforms and suitable in enabling taxi services to achieve better customer outcomes.

The restrictions and protections that were considered are:

- the cap on taxi service licence numbers and the process for issuing new licences
- operating area restrictions for taxi licences
- substitute taxi and peak demand arrangements
- maximum fare regulation, and
- exclusivity of rank and hail trips, access to the Taxi Subsidy Scheme (TSS) and accessible vehicle grants.

These are not all the restrictions and protections that apply to taxis — there are others. These are the main ones that restrict taxis entry to the market and how they operate or protect taxis by providing them with some form of exclusivity.

The options that have been developed involve the restrictions and protections that affect taxi licence supply. They involve the cap on licence numbers, operating area restrictions and substitute taxis and peak demand arrangements.

No changes are proposed in relation to the types of trips that taxis provide or maximum fare regulation. In relation to rank and hail trips, initial analysis showed that opening the market up to vehicles on a booked hire service licence was unlikely to bring passenger benefits. This is largely due to the increased safety risks associated with anonymous trips and the need to preserve the current vehicle safety requirements, such as security cameras and hail lights.

Options for opening the rank and hail market have therefore not been explored and it's proposed that the provision of rank and hail services continues to be delivered by taxi services only. However, depending on future options, relaxing the limits of taxi licence supply would reduce entry barriers and increase supply in the rank and hail market.

Maximum fare regulation provides important customer protections in the rank and hail market and for passengers with a disability. The nature of the rank and hail market provides broader risks of information asymmetry. Passengers have little ability to gather, assess, and compare fare information and service quality before getting into a taxi. They also might have little time to effectively negotiate a fare once in a taxi and may lack information about when another taxi might become available. These issues can exacerbate during periods of high demand.

The current approach also protects TSS and wheelchair passengers by limiting the total value of the fare they must contribute to.

In June 2023, Department of Transport and Main Roads (TMR) commenced annual reviews of the maximum fare using a cost-based model. Considering this approach and the benefits of fare regulation, no further options have been developed and it's proposed to maintain the status quo for fare regulation.

In relation to access to the TSS, the lift fee and grants for accessible vehicles, and the need for changes to these, are being considered as part of the Accessibility Program that was established following the Ministerial Roundtable in February 2023.

The Review also examined the ride-booking sector and found it is generally operating well and meeting customer needs. Ride-booking services have grown in popularity since their legalisation and have met latent demand in the market. Growth in the number of ride-booking participants in the market has also increased the access and availability of services for a majority of users. Customer satisfaction with ride-booking services remains very high. The exception here is that the ride-booking sector lacks wheelchair accessible services.

No changes to the regulation of services provided in limousines and rideshare vehicles are included in the Review.

Review analysis

In considering the restrictions and protections relevant to taxis, the Review undertook a range of policy and market analysis, which lead to the identification of proposed options.

This included examining a range of existing research and data; considering issues raised by stakeholders and information received from industry and customer surveys; analysing other jurisdictions' approaches and considering any learnings, and assessing the current supply and demand of services, fleet utilisation levels, periods of peak demand and use of substitute vehicles, and wait times experienced across sectors.

A key part of the analysis was engaging an independent consultant to undertake data and market analysis.

Market analysis

For the market analysis, the restrictions and protections applied to taxis were considered against the relevant statutory criteria. Indicators and measures were developed to assess whether each of the criteria were met.

The criteria is set out in the *Transport Operations (Passenger Transport) Act 1994*. The Act provides that generally the commercial offering of transport services is usually best able to serve the needs of customers and that Government restrictions should therefore be kept to a minimum. However, it is recognised that an open market with unfettered competition will not always serve the public interest.

The Act allows market restrictions and protections to be imposed where four criteria are met, or substantially met. These are:

- the level of services would be greater than the level that would otherwise be provided
- access to public passenger transport would be greater than would otherwise be achieved
- service innovation would be greater than would otherwise be achieved, and
- the particular public passenger services would better meet the Government's social justice objectives at a lower cost to the Government than would otherwise be achieved.

The criteria set a high bar for restrictions and protections to be imposed. They must lead to identifiable benefits that would not be achieved without them.

For assessing each of the criteria a number of indicators were developed. These were derived from relevant TMR and booking entity data and from other government

sources, such as the Queensland Government Statistician. For the innovation criteria, it was not possible to develop any quantitative metrics and a qualitative assessment was used.

The approach was used to analyse the current market conditions experienced across taxi service areas and assessing the baseline market performance. It was also then used for analysing and modelling a range of potential future scenarios. Future scenarios considered the likelihood of change in supply and demand for taxi trips and their price when restrictions are kept the same, amended or removed.

Key issues

The Review and the market analysis identified a range of key issues that were considered in developing the potential future options.

Passenger demand

In relation to taxi licence supply and related issues, the Review considered utilisation rates, wait times, trips requested but not provided and population indicators.

These indicate that some regional centres are likely to have an under supply of licences and there will be some unmet passenger demand if more licences are not issued soon. In south-east Queensland, there may be specific times when vehicle utilisation and wait times could be improved if more licences were issued.

Structure and pricing

In terms of structure and pricing, the high capital cost of taxi licences leads to a reliance on leasing and subleasing of licences and this, in turn, leads to higher operating costs and a lack of flexibility for taxi market participants, and higher fares for passengers.

Innovation

Looking at innovation, it was identified that there are few triggers for innovation. Since the reforms there have been few new entrants to the taxi market and little diversification in service types, fleets or prices that can be attributed to the entry restrictions.

Key accessible services

Some analysis of accessible services was undertaken as an initial part of the review. Population ratios, passenger wait times, trips requested but not provided and passenger complaints indicate there is insufficient provision of wheelchair accessible services and services for members of the TSS.

Analysis conducted indicates that relaxing supply restrictions for taxis may only marginally improve the provision of wheelchair accessible taxi (WAT) services and is unlikely make things worse.

The proposed options will not directly solve the issues around WAT services, although an important consideration is to ensure that the preferred approach supports an increased supply of WATs.

A range of further interventions are required to uplift delivery of accessible services and those are being progressed by the Accessible Taxi Services Working Group.