Review of the Northern Territory Commercial Passenger Vehicle Industry

SYNOPSIS OF THE ISSUES AND RECOMMENDATIONS FROM THE CONSULTANCY REVIEW

April 2009

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This synopsis has been prepared by the Northern Territory Department of Planning and Infrastructure and provides a summary of the issues and recommendations from the Consultancy Review of the Northern Territory Commercial Passenger Vehicle Industry.

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Written responses are due by 22 May 2009

1. BACKGROUND

The Northern Territory Government decided to undertake a holistic review of the Commercial Passenger Vehicle (CPV) industry in late 2007. The scope of this review led to Fivenines Consulting being appointed in April 2008 to undertake the review.

The key elements of review project scope were listed in the project brief:

- Review of relevant jurisdictional and international experience in the regulation of CPV markets.
- Analysis of the current regulatory regime in meeting the aims of the Territory Government and provision of alternate regulatory models that would meet these aims and the regulatory division between the separate CPV categories and recommendations for improvement.
- Review of existing taxi licensing, regulatory and incentive regimes with recommendations for improvement.
- Analysis of transferability of CPV licences and related issues.
- Analysis of effect of capping taxi numbers, including wheelchair accessible taxis and the method for their allocation.
- Analysis of issues resulting from CPV operators accumulating numerous CPV licences and the current and future effect upon owner drivers entering the market.
- Analysis of role and effectiveness of the Commercial Passenger Vehicle Board and recommendations.
- Analysis of training, testing and licensing requirements for CPV drivers and recommendations for improvement.

2. APPROACH

Extensive consultation was undertaken across all sectors of the CPV Industry and across all areas where CPV services are offered. Issues raised during this consultation period were then aggregated into core issues and it was evident from the consultation that the core issues were of concern to most, if not all the parties.

It was also evident that the central concern from amongst the stakeholders was the regulation and the operating environment for taxis, private hire cars, limousines and to a lesser extent, mini buses.

The core issues and recommendations that flow on from the consideration of these issues are described below in Section 3.

3. ISSUES AND RECOMMENDATIONS

3.1 Government Policy and Administration

Issue

Sectoral reviews in the late 1990s and again in 2003 led to significant changes to policy and regulation, while more limited changes are continually being investigated and implemented. Many of the changes have been in response to individual sector demands within the industry. There are now nine different licence classes in the NT for CPVs and this is creating confusion to both the customer trying to access CPV services and to the operators in regard to which part of the market they are legally allowed to operate in. This is creating tensions between competing licence holders. There is a need for a clearly articulated government policy and strategy for the CPV industry which protects the travelling public and at the same time provides for a viable and growing CPV supply sector. The stakeholder sessions indicated industry support for a government supported long term strategy.

Recommendation

a. Licence categories

The variety of services currently offered in the NT CPV industry is a response to genuinely different service needs that are being demanded by the travelling public (for example, passenger requirements). The different service delivery models that individual businesses have set up to meet these demands need to be protected but in a way which reduces confusion between licence classes.

There is no perfect number of licence categories, but there are three distinct passenger service needs that can be identified from the NT CPV sector: route services (regular public bus services), spontaneous demand (taxis) and pre booked (private hires, limousines, special function vehicles). The current business models that have been set up in the NT would suggest three licence categories to regulate access would be adequate with some variation where there is a need for special consideration in terms of the services currently being offered. In particular this relates to the current allowances for mini bus and private hire vehicles.

i. Buses

There is a demand for services that aggregate trips by bringing unconnected passengers together for the same journey, not necessarily from door to door nor at the preferred time, but at known times and at lower cost than a trip made purely for each passenger. Route buses fall into this category but from the stakeholder consultation and feedback there was evidence that there is unmet demand for flexible bus services that have more formal routes and fares than minibuses but would use similar vehicles and other infrastructure. Such a service would suit initiatives such as the Christmas period bus trial, designed to get revellers home and out of the Central Business District to avoid anti social behaviour. It would also provide for new business opportunities, serving more than a single door to door service, but having greater flexibility in terms of frequencies and span of services that the normal route service carried out by the public bus service. Current regulations do not facilitate the development of such services. Having greater flexibility in regulating bus services would allow operations such as mini buses to extend into potentially a new market of passenger demand.

ii. Taxis

Across the world taxis provide a standardised service which is available to all potential passengers within designated areas. Rules and conventions are well understood, and this guarantees that there will be demand, even though the sector is dominated by individuals and very small businesses.

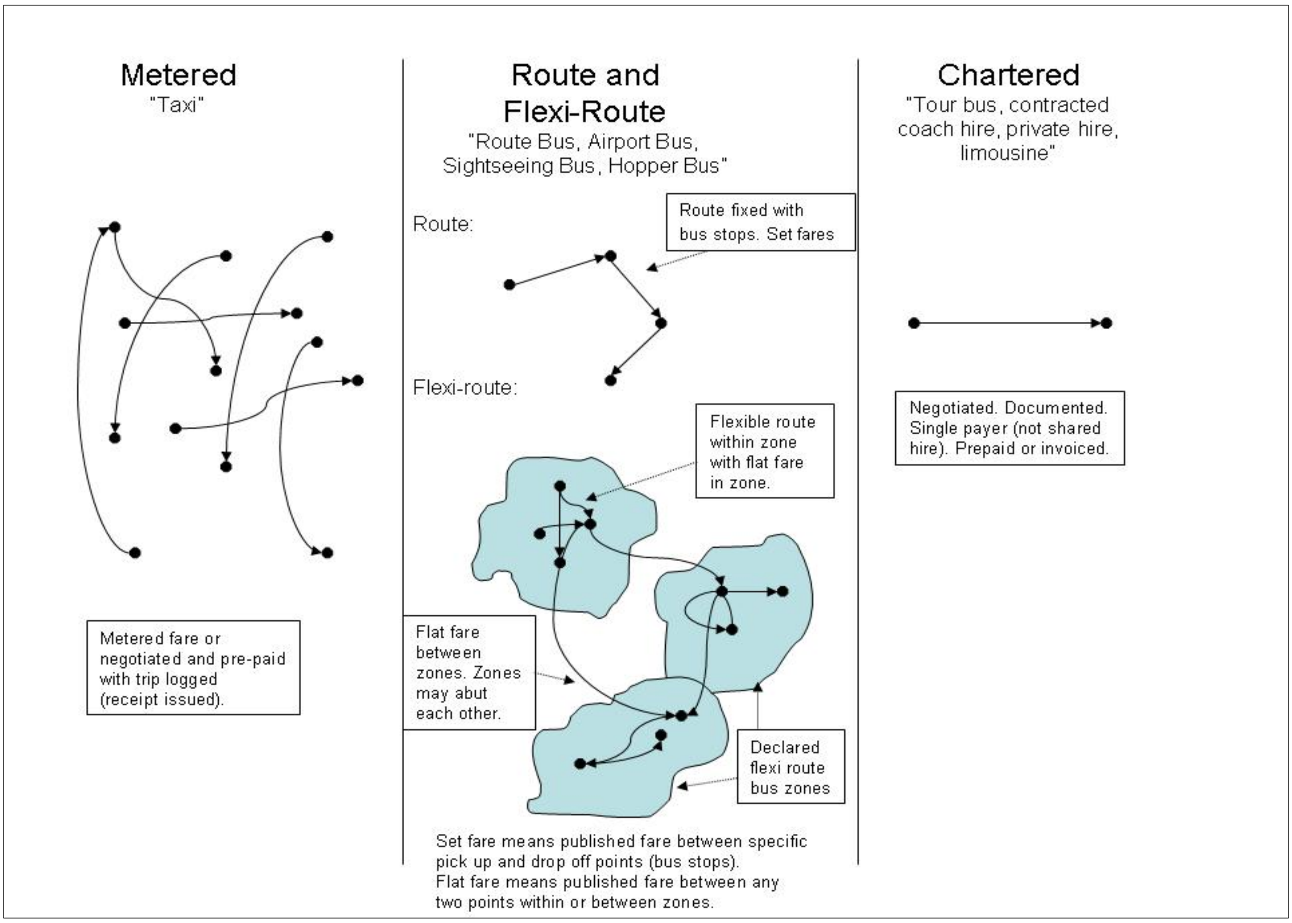
Taxis would fall into the proposed metered service category having exclusive access to spontaneous, on street trip demand as well as their existing rights in accessing the market. In return for this valuable right, the category must meet closely monitored service standards.

iii. Chartered services

All other services are essentially individually chartered (by a person or entity). These services are all pre-booked and can operate under one category, as there is no sound reason to distinguish by vehicle type. This allows operators greater flexibility to deploy vehicles to meet needs and to structure their business around delivery of flexible and responsive client service.

However, the existing rights of minibuses and private hire vehicles to rank would continue in view of their ability to meet excess demand at various passenger concentration points. For Private Hire vehicles, this would include existing ranks at the airport, railway station and the Casino.

Vital elements in distinguishing these three categories include the authority to acquire passengers (for example ranking and hails) and the way fares are set. The diagram below illustrates these:



Specific recommendations for further discussion associated with this issue are as follows:

- Recommendation - Discontinue the current nine categories of licence and replace them with three categories: route, metered and chartered.
- Recommendation - Develop regulations to specify how fares will be set and charged by categories of licensed service.
- Recommendation - Strengthen basic licence entry criteria for each licence category and associated licence retention criteria.
- Recommendation - Develop availability standards for metered services. This recommendation also addresses the Supply and Standards issue.
- Recommendation - Develop service profile requirements for chartered services.
- Recommendation - Develop trip acquisition (including service advertising and notification) regulations for all licence categories.

b. Government policy and strategy

While government and the industry have both been proactive in the development of the sector, there is no document that clearly sets out a shared vision for the sector or how any vision will be achieved.

This means that potential and current industry participants are unclear about the future despite needing to make significant business decisions involving the investment of time and money.

It is the role of government to provide policy direction in important community matters and transport policy is one of the most significant areas. The CPV sector needs to know what the plans are for the provision and supervision of transport in the Territory in future years, what role transport is to play in the broader government agenda, and how issues such as transport integration will be managed.

Equally it is the role of the industry to develop and provide services that meet passenger demand within the policy framework. This policy framework needs to be informed by industry's likely responses.

The recommendation is for government, in consultation with the industry, to formulate a strategic plan articulating how government and the industry see the CPV industry developing over the next five years. This will provide a roadmap that can be used by all stakeholders to identify their own long term roles and make informed plans within a coherent planning context. A clear strategy will be vital in creating confidence both in the long term sustainability, and in the likely shape, of the industry.

Matters that could be covered in the plan include:

- A vision for the industry, including goals and passenger expectations.
- The role of the industry within the transport sector.
- The roles and responsibilities of government, industry and passengers in designing, developing and delivering services that meet community needs.
- Service delivery models to meet future needs and how these are likely to be established.
- Infrastructure (including people as well as physical resources) required to support service delivery.
- Major initiatives for change.

The specific recommendation for further discussion associated with this issue is as follows:

- Recommendation – Create a sector development strategy.

3.2 Supply

Issue

Feedback from consultations indicates that stakeholders recognise that there is often a poor match of supply and demand. However, the gap is more complex than a simple shortage or oversupply of vehicles, and because of this, different stakeholders identified different fundamental causes.

Even at times of peak demand in Darwin, there is no surety that the majority of the licenced taxis are on the road meeting this demand level. At these times, queues at the airport and in the city mean long delays for passengers. Even in quiet times, passengers sometimes have to wait. Excessive wait times and missed pickups constitute by far the greatest number of complaints.

Many in the industry believe that the 1:900 ratio (the 'cap') on taxi numbers; regulations covering zones and the requirement for some licence types to operate from base; plus restrictions on taxi sub plates and other constraints limit supply, though they recognise that the difficulty in finding drivers is a bigger constraint. Government has also been conscious of the need to prevent unproductive competition within the industry, hence the need to regulate the various licence categories in regard to access to the market.

While there is general acceptance that the cap on taxi licences, in principle, prevents unsustainable growth in vehicle numbers, it is not the only way to achieve this.

There is widespread evidence that in Darwin a proportion of vehicles are parked up for much of the time, but it is not clear whether this results from operators being unable to find drivers, an assessment that it is uneconomic to operate a given shift, or a perceived low cost to leave a vehicle idle. There is evidence that many drivers work until they have "earned enough" and then return the cab. This means that the cap is notional in practice in setting the maximum number of taxis available to serve the market and achieves little more than creating a scarcity value for each licence.

Meanwhile, disability and disadvantaged passenger advocates are highly critical of the lack of accessibility to any form of public transport. There is a real issue in regard to the waiting times for Multi Purpose Taxis (MPTs) for passengers with disabilities.

Recommendation

The licence cap prevents uncontrolled growth in the number of taxis on the road. The cap was introduced in 2003 in response to an apparently uncontrolled supply of taxis and the fears of the industry (and government) that this would lead to the widespread failure of businesses in the sector and therefore loss of services.

While the argument for the cap is based on industry sustainability and driver earnings, the cap in itself does not directly determine either of these. In the issues section it was pointed out that the cap ratio in terms of taxis on the road at any particular time of the day was rarely met, indicating that industry sustainability and driver earnings were not being driven by the need to maximise the availability of the existing taxi fleet and that demand was not being met to the satisfaction of the consumer. The cap also creates a barrier for new operators wishing to enter the industry.

The recommendation is to reduce the cap ratio on a gradual basis to allow more taxi licences to be made available into the market place. The reduction will be on a trial basis and industry data will be used to monitor the effect of a gradual increase in taxi numbers on meeting shortfalls in supply. This is not to be seen as a deregulation of the industry and taxi numbers will still be regulated to prevent destructive competition. The actual ratio in Alice Springs is around 1 taxi per 700 population.

In conjunction, the reduction in the cap performance based barriers to entry would also be introduced (see Standards).

3.3 Industry Entry and licence values

Operators

Issue

The current licensing system is of great concern to holders of taxi and car licences who feel that they have put resources, effort and labour into maintaining a vehicle in a competitive market, but see no capital value accrue. The capital value of taxi licences is perhaps the most contentious issue raised by industry.

Hearing the views of all stakeholders, as well as considering the economic context, there are three fundamental principles that should inform the discussion:

- The industry is regulated to provide a service to passengers. The obligation of government and society is to provide the industry with a fair opportunity to provide the service on a commercial basis, but not to underwrite businesses or create wealth.
- Licences are a form of permission to operate a service in accordance with regulation. They are a means to create a barrier to entry (for the benefit of service regulation) not a financial asset.
- Any value that arises should be commensurate with the value of the business, not the scarcity of the licence. Licences increase in value the higher the scarcity factor. The role of the government should be to match as close as practicable supply of vehicles with the demands from the travelling public without causing destructive competition through an oversupply situation. However if supply of vehicles is not matching the demand levels, then a consideration has to be increasing the supply.

Guided by these three principles, there is an argument that operators and network service providers create a business with some enduring value. The value for the operator is created through:

- Acquiring capital assets (the vehicle)
- Creating a working business (processes, infrastructure and so on).
- Recruiting and managing drivers to drive the vehicle as part of a business.

It is recognised that this is an issue for further discussion in the next round of consultation with the industry.

3.4 Career paths and driver shortage

Issue

The net effect of the issues facing drivers is that there is no easy career pathway for those who want to move within the industry. While drivers tend to enter and remain within the same industry sub sector, they do not see a long–term progression with any prospect of promotion or job enrichment. Some drivers do progress from taxis to private hire and limousine work but most remain with their original licence type. These issues also apply to some extent to the bus sector.

The poor industry image amongst many drivers and most passenger stakeholders is not unique to the NT but is an industry problem as it deters new recruits.

Recommendation

This recommendation is centred on funding options to support both physical and human capital improvements in the industry, in particular to support driver retention levels. While the public sees a single industry (especially taxis), service delivery is spread across many business entities (particularly individuals). This means that there is little incentive for an individual to make any voluntary investment other than in directly controlled infrastructure. Even investment in drivers is only repaid if the driver continues to work for that operator as a CPV licence is a portable asset. It is recognised that to maintain a viable CPV sector meeting the needs of the travelling public, there needs to be investment both in infrastructure and human resources. The recommendation is to investigate possible funding options that can support the industry.

Such funds would be used to:

- Create and deliver centrally organised, locally delivered operator and driver training which is available to individuals at an affordable cost. This would reduce the financial burden on individual operators to provide driver training. Having a hierarchy of training qualifications may act to provide some form of career path for drivers wishing to stay in the industry.
- Provide for new and upgraded ranks and other physical infrastructure.

Specific recommendations for further discussion associated with this issue are as follows:

- Recommendation - Develop a funding method for infrastructure that is sustainable and fair.
- Recommendation - Develop a driver and operator training curriculum.
- Recommendation - Engage a single training provider to provide Territory- wide training for drivers and operators.
- Recommendation - Develop a funding model for MPT vehicles that provides a funding stream for MPT operators to broadly cover the additional capital and maintenance costs of this vehicle type.
- Recommendation - Fund a central booking and allocation service for wheelchair and other disabled passengers to place work offers with available MPTs. Develop protocols for the equitable operation of this service.
- Recommendation - Mandate, and include in central training delivery, coverage of disabled passenger handling skills for all drivers.
- Recommendation - Develop a plan for the upgrade of ranks for those licence categories entitled to rank, identify funding and implement the plan.

3.5 Standards

Issue

The stakeholder consultation has indicated that the maintenance of standards in the CPV Industry is a major issue and impacts on the travelling public's perception of the industry and the ability to attract new entrants, both drivers and operators, to ensure the long term sustainability of CPV operations.

Operators have not applied their own internal standards as stringently as they might wish to do, relying on the networks and CPV inspectors to do their enforcement work for them. The powers of inspectors are limited by regulations, which are in any case primarily intended to ensure safety rather than service quality.

It is clear that drivers continually face unacceptable standards of customer behaviour with attendant risks to their personal safety, along with frequent refusals to pay fares. The introduction of Closed Circuit Television Cameras (CCTV's) is being investigated to enhance driver and passenger security,

Economic realities also mean that there is competitive pressure to meet the lowest standards set, or lower standards if standards are not enforced.

The downward pressure on standards is not easy for operators to rectify. Networks can and do try to set minimum standards, but have limited opportunity to detect or deal with many quality problems.

The role of government in setting standards for this private sector industry has also been unclear and this has increased the regulatory confusion that was expressed strongly in the stakeholder consultation. In many respects it must be up to the market to offer a sufficiently attractive product that passengers choose to use the service, allowing the market rather than government to determine the standards.

Recommendation

Service quality and the skills of the people in the industry are of high concern to all. The highly competitive nature of all players in the sector means there is a danger that service, vehicle and driver standards will default to the lowest level possible. It is to the credit of the industry and the regulator that instances of this are rare.

The taxi sector in particular is typified by individual businesses which gain only indirect incentives from better service – few passengers will get the same cab twice nor can they select which vehicle to travel in, except at a rank.

The industry as a whole suffers, however, if passenger satisfaction is low as a result of low entry and low service delivery standards. Additionally, if low standards are tolerated, the market is then likely to be flooded with opportunists who seek the easy takings and won't provide the broader service the community needs.

Suitable barriers to entry would ensure that new entrants understand their obligations, that they won't be allowed to operate only at personally convenient times, and will be ready and able to deliver a satisfactory level of service without jeopardising the stability and effective delivery of service by existing operators.

The recommendation is that reasonable but high standards are set both for entry and for ongoing participation as licence holders and drivers. New entrants will need to carefully consider not only their business viability but also their capacity to meet entry and ongoing accreditation standards.

Suggestions for further discussion with the industry are:

- CPV service delivery skills for drivers so that they meet service delivery expectations. This would be part of the centralised training provision that has been put for discussion under the issue of career paths for drivers.
- Demonstrated adequacy of business infrastructure, including business processes that support safety, CPV regulatory compliance and demonstrate performance reporting capability
- Satisfactory history of compliance with CPV regulation (if they have previously had an involvement with the industry)
- Personal suitability (for example, criminal history checks), as at present.

The proposed ongoing standards include:

- Service availability for taxis and buses (percentage of time the licensed vehicle is available for hire or operating a service. This is part of the recommendations dealing with the simplification of licence categories and is also a consideration in dealing with the supply issue).
- Acceptance of offered jobs by taxis, including MPT's if so equipped.
- Regulatory compliance.

Specific recommendations for further discussion associated with this issue are as follows:

- □ Recommendation - Develop accreditation standards for each licence category covering people and vehicles.
- □ Recommendation - Review and extend industry standards for service covering: competency and training; safety and safe working; equipment and infrastructure; service provision; reporting and complaints.
- □ Recommendation - Develop clear statements of rights and obligations, covering Network Service Providers, operators, drivers and passengers. These should link to any accreditation system put in place as well as covering agreements between drivers, operators and Network Service Providers.
- □ Recommendation - Undertake a CPV skills and training review for DPI and other staff.

3.6 CPV Board: role and functions

Issue

Unless asked specifically to comment on the Board, stakeholders did not raise it as an issue one way or the other, and the conclusion to be drawn from this observation is that the structure of the Board is seen is preventing it from representing the industry's views to the Minister.

Due to this, and as an instrument of consultation, the Board struggles with being able to establish credibility with most stakeholders. The NT Taxi Council as a parallel body representing a sub sector view to government is felt to have greater influence because it has a more specific advocacy role.

The observations on the stakeholder consultation indicated that the Alice Springs sub-committee of the Board seems to perform a valuable role in organising and representing the industry locally in operational matters.

Recommendation

The current structure of the CPV Board prevents it from providing effective and accepted links between government, industry and passengers, despite the efforts of its members.

It is recognised that simplifying these relations through the appointment of a single body will be difficult given the segmentation of the industry and the competing interests. While other industry sectors have a single liaison body, the CPV industry across Australia is represented by a variety of bodies in its dealings with governments.

It is vital that industry members either treat the Board as their representative, or work through a member of the Board who they can identify with.

There is no doubt that a mechanism for communicating between industry, passengers and government is essential and that this should be both strategic and advisory.

The recommendation is that the Board should be revitalised, covering each of these groups:

- Taxi operators and network service providers.
- Bus operators.
- Chartered vehicle operators.
- Drivers (of all licence types).

- Passengers.

The recommendation is that government should work with peak bodies, where they exist, to ensure representative coverage.

The new Board will be required to advise on strategic issues concerning CPV provision, regulation and planning. It will be a forum for industry members and passengers to shape each other's thinking. It will provide a forum to develop and promote government action in overseeing personal, point to point public and tourist transport.

It may be useful to replicate the successful forum that exists in Alice Springs, introducing similar bodies elsewhere. These would have a local focus, resolving local or immediate issues and representing the industry in dealings with government (Territory and local), community organisations and businesses. These forums might receive some support from the Department of Planning and Infrastructure, but would be self managing. They would be recognised by the Department and would be invited to provide input to the main Board, perhaps through some joint memberships.

Specific recommendations for further discussion associated with this issue are as follows:

- Recommendation - Restructure the CPV Board as a strategic, representative, advisory body, covering industry and the community.
- Recommendation - Support the creation of local CPV forums to address local operational issues.