

Department of Planning & Infrastructure

COMMERCIAL PASSENGER VEHICLE REVIEW

REPORT

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1. EXECUTIVE SUMMARY

This review of regulation of the Commercial Passenger Vehicle (CPV) industry is based on a combination of industry consultation, research into comparable sectors in other parts of Australia and around the world, and detailed analysis of options.

The CPV industry is a vital part of the Territory's transport sector, serving all sections of the community. It provides personal, point to point travel in taxis, minibuses, private hire (PH) and limousines as well as bus journeys for unconnected individuals travelling together.

The sector has been through significant change over recent years, led both by government policy and industry initiative. While the industry fundamentally delivers the services expected, a number of specific problems had been identified which impair the effectiveness of the industry. In particular:

- Government policy, administration and regulation could be improved.
- Complex constraints on, and distinctions between, licence categories mean that the supply of vehicles and drivers doesn't best meet the needs of passengers or the industry.
- It is difficult for new entrants to come into the industry, and good people move on too readily.
- Service delivery standards are inconsistent, and low quality competition squeezes higher standard operators out.
- Investors and speculators were bought out of the taxi sub-sector in 2001, but there is a risk of them re-entering. Their involvement offers no benefit to the industry.
- Demand is not well met - especially at peak times, and for disadvantaged and disabled passengers.
- The CPV Board has not been able to shape the longer term strategy of the sector nor prevent lobbying from occurring outside the formal structures.

The report sets out a number of options for change. It does so in an integrated way, because any single change can have a flow on effect in a number of areas. Therefore, rather than respond to each issue above, we have considered the overall context and made recommendations that together address all the issues.

The major recommendations are that the Territory Government should:

1. Declare three licence categories instead of the current nine. These will provide a clear division between the service types expected by passengers - taxi, bus and individually chartered transport - while allowing the industry to respond flexibly in providing services to meet the needs.
2. Create an industry investment framework which will in the long term be funded by mandated industry contributions but which might be seeded by government while the current licence fee pays off the 2001 buyback of licences. This will provide for training, equity of access and some physical infrastructure.
3. Remove the cap on taxi licence numbers.

4. Replace the artificial barrier to entry that the licence cap creates with a rigorous, standards based accreditation regime that ensures only suitably capable and established entities can become CPV operators and drivers. Oversee this with regulated processes that monitor industry performance to ensure licence holders deliver services in accordance with their licence conditions.
5. Clarify regulations so that compliance by the industry is simpler and enforcement by DPI can become more proactive.
6. Restructure the CPV Board to ensure representation of taxi operators, chartered and bus sector operators, as well as passenger and driver groups. Include DPI managers who can inform the discussion and respond quickly. Focus on strategic issues. Additionally, encourage groups to form in each major centre, aiming to resolve local and immediate issues.
7. Develop a strategic plan for the sector, combining government policy towards personal, point to point, public transport and industry intentions in meeting emerging community needs.

2. PROJECT SCOPE AND APPROACH

The 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 this project scope were listed in the project brief.

1. A review of relevant jurisdictional and international experience in the regulation of commercial passenger vehicle markets.
2. 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.
3. Review of existing taxi licensing, regulatory and incentive regimes with recommendations for improvement.
4. Analysis of transferability of CPV licences and related issues.
5. Analysis of effect of capping taxi numbers, including wheelchair accessible taxis and the method for their allocation.
6. Analysis of issues resulting from CPV operators accumulating numerous CPV licences and the current and future effect upon owner drivers entering the market.
7. Analysis of the applicability of peak period taxi licences in the Northern Territory (including an analysis of peak demand periods).
8. Analysis of regulation of fares and recommendations to increase sustainable price competition within the industry.
9. Analysis of role and effectiveness of the Commercial Passenger Vehicles Board and recommendations.
10. Analysis of training, testing and licensing requirements for commercial passenger vehicle drivers and recommendations for improvement.
11. For the above work, consideration will be given to the CPV markets in the Darwin and Alice Springs areas and other regional centres where appropriate.

Approach

Fivenines Consulting undertook preliminary desk based research and discussions with Department of Planning and Infrastructure (DPI) staff in March and April 2008. The team then conducted wide ranging consultations with industry and community stakeholders from May onwards. A process of detailed review of issues and options working papers was undertaken with Department staff from July onwards and a second round of consultation conducted to test these options in early 2009. This paper draws together the results of these activities.

3. REGULATORY FRAMEWORK

Regulation is required to create a framework for CPV operation, ensuring that the travel needs of passengers can be satisfied by businesses able to operate in fair competition with each other. These regulations must seek to create desired outcomes (rather than existing for their own sake) and these outcomes must be informed by government transport policy.

Our consultation led us to believe that there is consensus about key elements in the desired regulatory framework. These can be seen from the viewpoints of the different stakeholders.

<p>Passengers</p> <p>i) The regulations should allow the CPV industry to provide reliable point to point public transport (available within reasonable limits).</p> <p>ii) Point to point public transport should be accessible to all users.</p> <p>iii) The regulations should ensure that the CPV industry provides a suitable quality of service that is affordable for all users - balancing cost and quality to maximise traveller benefits (including knowledge of location, ability to speak English, local information etc.).</p> <p>iv) Passengers should have a choice of service type and quality within the regulatory framework.</p> <p>v) Regulations should ensure that the industry provides safe journeys.</p> <p>vi) Regulations should ensure that industry does not exploit vulnerable passengers (e.g. in financial transactions, route selection etc).</p>	<p>Industry</p> <p>i) The regulations must allow the CPV industry to be viable and sustainable.</p> <p>ii) The regulatory framework must provide a predictable business context, with the minimum of compliance requirements.</p>
<p>Individuals in the industry</p> <p>i) Regulation must allow individuals to pursue career paths to provide ownership, operational, and driving involvement.</p> <p>ii) Regulation must allow opportunities for individuals to make a living and build a business.</p> <p>iii) Regulation must allow effective and efficient participants to earn at least sufficient money to live on.</p> <p>iv) Regulation must provide all participants sufficient predictability to plan ahead (including saving for retirement).</p> <p>v) Regulations should ensure that all workers have a safe working environment.</p>	<p>Government</p> <p>i) Regulation must be compliant with relevant laws (including tax, Disability Discrimination Regulations, public order laws etc).</p> <p>ii) Regulation must ensure that the CPV industry meets public demand for personal point to point public transport.</p> <p>iii) Regulations must meet reasonable expectations of the industry.</p> <p>iv) Regulations must meet reasonable expectations of other stakeholders.</p> <p>v) Regulations must integrate with broader transport policy and provision.</p> <p>vi) Regulations must contribute to, or play a relevant role in, the economic development of the Northern Territory.</p>

4. ISSUES

It is difficult to cleanly segment the wide variety of problems identified. This is a complex regulatory environment and many elements, whether strategic or detailed, have an impact in more than one area.

Although we received input on a number of issues outside the project Scope of Service, we concentrated on the core issues. It was evident from the consultation that the issues listed were of concern to most, if not all parties.

It quickly became evident that the central issue was that of regulation and the operating environment for taxis, private hire cars, limousines and to a lesser extent, minibuses. The role of the charter and tourist bus sector, while still an integral part of NT transport, seems to experience fewer problems involving supply and demand, career paths, standards and operating regulations. That said, the issues raised by the bus industry are significant to this sub-sector and, if addressed, would allow that industry to operate more effectively.

4.1 GOVERNMENT POLICY AND ADMINISTRATION

Government seeks to oversee a private sector industry (which is providing a vital public service) through the development of appropriate policy and workable regulations. Sectoral reviews in the late 1990s and again in 2003 have led to significant changes to policy and regulation, while more limited changes are continually being investigated and implemented. The NT Government has not been afraid to introduce radical change but struggles to work effectively with an industry that has so many competing voices.

On the other hand, stakeholders believe that there is insufficient ministerial and DPI strategy to articulate a clear sense of government control over the CPV industry in NT. Rather than government being seen to lead the way in developing a progressive legislative framework, with accompanying regulations that encourage CPV enterprises, sectors of the CPV industry work independently of each other and try to achieve their own narrow aims by direct lobbying and approaches to government. Changes are therefore often driven by the agendas of vocal industry members rather than by objective policy development and structural design. This review is welcomed by industry as a clear sign that the Government is committed to a strategy for the sector.

The responsiveness of the CPV Branch has arguably led to greater complexity as individual interpretations and exceptions have been made and documented in response to industry and individual requests. Business processes observed by our consultants seem to have some degree of inefficiency and include bottlenecks which delay decisions and frustrate the industry.

4.2 REGULATION

The overall impression of the regulatory environment, from stakeholders, is one of complexity; overlap between different vehicle categories; implementation that concentrates on minor rather than significant issues; and a sense that CPV inspectors sometimes concentrate on the letter, rather than the intent, of the regulations.

Essentially, in the non-bus sector, there are four categories of licensed vehicle that compete for the same type of business: taxis, private hire, limousines and minibuses. There are different regulations for the four categories, leading to a regulation-dominated environment that appears to be overly complex, while seeming not to streamline service provision. Much of the complexity arises primarily from the need to distinguish between the categories, rather than to meet market needs.

Industry participants have invested in response to the regulations and therefore have a vested interest in these same regulations.

Without clear legislation or procedures, individual interpretations of regulations are made on an ad hoc basis.

Another aspect of concern voiced by a number of stakeholders is that there is great variation in the interpretation of regulations in different locations.

4.3 SUPPLY

Stakeholders recognise that there is often a poor match of supply and demand. The gap is more complex than a simple shortage or oversupply of vehicles, though, and because of this, different stakeholders identify different fundamental causes.

Even at times of peak demand in Darwin, we understand that many cabs are not on the road. 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.

Taking all the feedback together, Fivenines believes that there are probably more vehicles than needed in non peak times but a clear shortage of vehicles on the road at peak diurnal or seasonal periods.

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. That said, restrictions on supply have been imposed by Government in response to industry pressure to limit unproductive competition.

Taxi plate holders believe strongly that the cap is vital to protect the industry from excessive competition and they focus on the other causes of supply constraints.

While we accept that the cap on taxi licences, in principle, prevents unsustainable growth in vehicle numbers, it is not the only way to achieve this and it does create a valuable commodity (the licence) which licence holders seek to perpetuate.

There is widespread evidence that in Darwin a proportion of vehicles are parked up for much of the time, but we were unable to establish 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. We certainly know many drivers work until they have "earned enough" and then return the cab. This means that the cap is notional in practice and achieves little more than creating a scarcity value for each licence.

Additionally, we believe that licence subleasing is relatively widespread in NT, even though it is not permitted. In these cases, the licence holder is not actively involved with the operation of the vehicle and the regulator may therefore not know who has day to day control of the

operation. This reduces the capacity of the regulator to directly influence the actions of the actual operator.

Meanwhile, disability and disadvantaged passenger advocates are highly critical of the lack of accessibility to any form of public transport, while recognising the commercial imperatives under current rules.

4.4 INDUSTRY ENTRY AND CAREER PATHS

Operators

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. This is a prime source of dissatisfaction among operators.

A sense of frustration pervades the taxi sector (and was expressed strongly at both public meetings), with operators being quite pessimistic about their future and financial security. This promotes anger among operators and it discourages new entrants.

Taxi operators hold a shared view that their business is closely comparable to any other small business, comparing the price at which retail and professional services firms change hands without recognising that these businesses carry significant goodwill and/or stock, neither of which applies to a taxi operation.

These concerns do not apply to the bus sector as the requirement to meet compliance standards primarily determines the ability to hold a bus licence, and such businesses therefore trade at asset and goodwill value.

Drivers

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 NT but is an industry problem as it deters new recruits.

4.5 STANDARDS

Operators have not applied their own internal standards as stringently as they might wish to do¹, relying on the networks² 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.

¹ This is a complex issues. Fivenines notes that the external cosmetic appearance of taxis in all four centres visited appeared noticeably higher than other Australian jurisdictions. Operators commented, however, that they often cannot sanction someone for poor behaviour or a breach of rules for fear of losing them to another operator.

² Networks (often called “depots”) also tread carefully for fear of losing operators and drivers to competitors. Operators sometimes place intense pressure on networks to avoid upsetting drivers.

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.

Economic realities also mean that there is competitive pressure to meet the lowest standards set, or lower standards if standards are not enforced. This applies to all vehicle types, including, to some extent, buses.

When customers offend against taxi drivers and are caught, there seems to be an unwillingness by police to accept drivers' complaints or to pursue matters in court, or for the legal system to hand down deterrent penalties, so this aspect of the problem continues and drivers are more likely to pre-empt problems or act inappropriately in anticipation.

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 is also unclear. There is a stronger argument for intervention in the taxi sub-sector where government regulates fares and availability, so might reasonably be expected to regulate, for example, vehicle cosmetics. 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.

4.6 ROLES OF INVESTORS AND SPECULATORS

The capital value of taxi licences is perhaps the most contentious issue raised by industry. It is unlikely that a consensus view will emerge because there is not only logic to the competing arguments, but the consequences of a particular view have a massive financial impact. If 104 Darwin licences were sold for \$300,000 each, the overall pool of licences would be worth more than \$30M, slightly more than the buy back cost in 2001.

Hearing the views of all stakeholders, as well as considering the economic context, Fivenines believes that there are four 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) not a financial asset.
- Any value that arises should be commensurate with the value of the business, not the scarcity of the licence.
- Government has an interest in valuation to the extent that it affects the ability of new entrants to join the market. If government controls licence scarcity, it must play a role in the flow on from this scarcity.

Guided by these three principles, we accept the argument that operators and network service providers create a business with some enduring value. The value for the operator (the contentious component) 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.
- Developing a customer base for vehicle types that do not rely on hails and ranks.

We do not accept that the acquisition of regular clients should be a significant part of the valuation for metered services, unless that operator/driver genuinely operates as a “network” - the concept of the metered service is to match passengers and vehicles on a just-in-time basis and therefore requires a formal fare structure and clear rules. We therefore do not believe that there should be a material goodwill component in the valuation of a cab licence, though, for instance, a limousine operator selling a going concern would expect to realise the goodwill from the client list.

We would therefore consider it reasonable to value taxi licences through the sum of the depreciated capital asset value, the value of the business operation (which for a single vehicle operator would be small), plus the ‘value’ of the relationship with drivers (again likely to be a small figure for a single vehicle operator).

The true value of a larger operation, sold as a going concern with a thorough handover, might include a significant element for driver relationships and business infrastructure, in addition to the vehicle valuation.

Realistically, this might place a valuation on a single, new cab operation of less than \$100,000, or much less with a mid-life vehicle.

In practice, as the prevalence of sub-leasing demonstrates, the market finds ways to work round the restrictions on sale of plates.

We believe that almost any regulation will be vulnerable to undocumented financial arrangements, and that it is possible that the outworkings of these may be worse than an unfettered transfer market.

Importantly, however, we believe that high plate values (as seen in other jurisdictions) distort the market and make it harder for new entrants to come into the market. The Darwin ballot removes this, but introduces a different arbitrary restriction.

Long serving industry members who believe they have built a capital asset (covered in section 4.4) see the investor as providing a way to realise this asset, connecting the two issues.

4.7 DEMAND

Passengers acquire services in four ways (not all provided by each sector):

- By phone to a vehicle’s base where it is converted to a radio or phone call for taxis, Private Hire (PH), limousine or minibus.
- At a designated, agreed and possibly advertised location (rank) for taxis, PH or minibus.
- By hailing a taxi or minibus on the street.
- By a pre-arranged contract - usually bus, minibus or PH/limousine, but also taxis in some cases.

Route bus arrangements are similar only in that they have designated hail points (bus stops). Airport and sightseeing buses have more complex requirements.

From the provider side, many of the tensions are caused by the restrictions placed upon individual licence categories by current regulations. These are generally regulator made and are either well understood or conveniently interpreted by drivers. Drivers make up logic to explain rules and use history and "case law" to support claims of injustice. Intuitively, the simpler the rules, the fewer the grounds for complaint. The inflexibility created by these restrictions means that supply can't meet demand as well as it could without them.

From the passenger side, we believe there is a universal expectation about how a taxi service works - at least at a general level. This expectation must be met, otherwise visitors will be unable to quickly use the service³. However, the detailed rules are often not well understood, or not understood at all.

There is, for instance, a widespread misunderstanding amongst passengers about job assignment, particularly radio bookings. Again, education has little impact on this and aggrieved passengers will complain that the promised radio booking didn't appear, even though no driver accepted it. Current regulation doesn't place anything more than commercial obligations on the Network Service Providers (NSPs) who accept phone bookings to match conventional jobs to vehicles.

Other classes of CPV are even less well understood by passengers. As a result demand is not fully met because many passengers don't realise these licence types might meet their need. Notably, PH vehicles often sit idle at the airport while passengers are waiting in a long taxi queue.

Some drivers and a small number of operators believe that services to disabled passengers can be profitable, notwithstanding the general difficulty in meeting demand. Research into other jurisdictions, and feedback from a small number of NT operators, suggests that while the real costs of delivering such services must be higher than for non-disabled passengers, there are ways of packaging and organising such services effectively, provided regulation supports these.

4.8 CPV BOARD: ROLE AND FUNCTIONS

Unless asked specifically to comment on the Board, stakeholders did not raise it as an issue, one way or the other. It is seen as having little purpose in representing the industry's views to the Minister.

As an instrument of consultation, the Board appears to have little 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 Alice Springs sub-committee seems to perform a valuable role in organising and representing the industry locally in operational matters.

³ We would suggest that these universal expectations of taxi services include the right to hire via hail or rank, taxi signage (and a degree of standardisation across the fleet) as well as metered or standard fares. There seem also to be almost universal misunderstandings - for instance many people expect that a taxi driver will be self employed and seek fares through their own efforts, yet they also expect to be able to complain to a booking service about a cab and believe that the booking service directs, rather than offers, jobs.

5. OPTIONS

This section sets out the options that we believe best address the issues described above.

5.1 GOVERNMENT POLICY AND ADMINISTRATION

As described in more detail above, industry is concerned that there is a lack of clearly articulated government policy, making it difficult for them to plan ahead. They also complain that administration of the regulatory model is often unsatisfactory.

The issues raised concerning policy and administration do not lead easily to specific 'options'. A number of individuals have played a significant role in shaping and directing regulation for the sector. Ministers have been responsive to the calls of industry and public within a forward looking policy agenda. DPI has been proactive in designing and implementing changes that support and promote the sector. Industry members have been relentless in pursuing change ideas and options for their particular interests.

We believe three change elements should be seriously considered:

5.1.1 A Strategy for the Sector

The CPV industry is part of the overall transport picture and forms a vital part of the Territory's economy. We believe there is merit in taking an explicit, integrated and strategic view of this sector that goes beyond regulation alone to include industry development and integration. This is not purely a government role, and relies on key people in the public service (not just DPI) and in industry sharing a strategic view for industry development with the Minister and pursuing both long and short term initiatives in a cooperative and integrated way. Doing this requires trust, sharing ideas multilaterally instead of bilaterally, and working to a common agenda.

We believe a considered, clear document that sets out a long term vision for the industry would allow all stakeholders to make individual plans that are based on realistic expectations about demand, regulation, and supply side responses from the industry as a whole. It would also allow policy makers to develop new policy based on a forward view of a changing sector rather than an historical view of the current sector.

5.1.2 Administrative Reform

Organisational review is rarely the panacea for all ills, but poor organisation undoubtedly frustrates good administration. DPI is currently undergoing a broad organisational reform programme.

Many of the industry criticisms come from a perception that there are responsibility and skill disconnects within DPI and other agencies, such as Police.

Smart organisational design doesn't mean all CPV matters must be handled by one group. Clear vision, good responsibility design, and effective communication between officers could resolve many of the issues identified. If this were supported by accessible, simple and effective systems, even the current regulations would work better.

Achieving this requires a clear statement of strategic intent and outline plans for the supervision of the CPV sector. It requires an organisational design that identifies each CPV responsibility and allocates it to an identified role. It requires management structures that support cooperative working practices, making people accountable and responsible through measurement and feedback. It must be supported by adequately resourced administrative systems and infrastructure to oversee the operations of the industry and ensure regulatory compliance.

5.1.3 Cross skilling and training across government departments and agencies

To make the best use of limited resources, all public servants dealing with CPV matters could be given general training, focussing on basic knowledge and pathways to find out more or refer matters.

This option would raise the level of service, encourage sensible (though not necessarily consistent) decision making, take out bottlenecks on the phone and at MVR offices and enhance job satisfaction.

Set against this, much of the specialist knowledge regarding CPVs is acquired over a long period of time. Expecting non-specialist staff to do this may be unrealistic and may exacerbate the problem of inconsistent decisions. It would need to be managed carefully.

5.1.4 Conclusions

We believe that much of the concern about CPV oversight comes from a lack of a shared vision and disconnected administration. Sectoral leadership requires human skills - people who have the capacity to develop consensus - rather than significant investment. Administrative reform does not require massive investment, though this area seems under-resourced. The challenge is to win endorsement for a consensus view of the sector's future, find leaders and change agents to lead the implementation, integrate solutions into the broader agenda of government and ensure that administrative models and practices support it. Overall this needs to be clearly articulated in a single, simple strategic vision.

5.2 REGULATION

NT CPV regulations are complex, reflecting the subtle distinctions between some licence categories and the many particular cases that must be accommodated. Important information is often scattered through separate regulations and supporting documentation.

The fundamental problem with current regulations results from their complexity. This is partly a flow on from the nine categories of licence, together with changes over time and the history of interpretations which become a form of case law amongst industry members.

5.2.1 Options

We have considered three options:

1. Undertake complete overhaul of regulation. An obvious approach to dealing with the current mixture of original regulations, amendments and interpretations would be to completely rewrite the regulations. This consultancy project has not included a detailed review of the current regulations nor sized the work required to rewrite them, nor has it

assessed whether extensive changes can be made to existing regulations to accommodate further changes. Clearly, the decision about whether rewriting is desirable or essential will depend on the extent of changes made.

2. Review and revise regulation as needed. As an alternative to a full rewriting, existing material might be rewritten in response to each change. The existing legal and regulatory framework is already complex. While industry members will quickly absorb new elements, it will become progressively harder for administrative and compliance officers to have a complete knowledge. This will lead to inconsistent application, grievances, and time wasted dealing with complaints. The long term costs of further amendment and modification may be both high and hidden.
3. Consolidate and simplify all current CPV legislation. Industry and passenger awareness and comprehension of legislation might be improved by simply consolidating and restructuring current legislation including the Traffic Act, MO regulations, Passenger Bus regulations and other associated documents to rationalise and streamline legislation which now resides in different source documents. This review might also target readability and understanding for a lay audience. This investment would improve compliance by helping industry and government staff to understand the requirements. However, we recognise that legislative and regulatory drafting is a very complex area and that the costs and benefits would need to be quantified before embarking on this task.

5.2.2 Conclusions

The structure, consistency and readability of documents is a vital part of the mix, regardless of whether existing material is rewritten or new documents are prepared. The success of the result will depend on close interaction between drafting, policy and operational staff (who will already be fully occupied with tactical oversight of the sector).

Any major reform will require significant legislative drafting effort, whether working through existing material word by word or by starting afresh.

An assessment of the scale of documentary change is beyond the scope of this review (and depends on how fully the recommendations are adopted), but it would appear that once the major changes have been identified, it will be important to assess how best to reform legislation and regulation.

On balance, we believe that the complexity and risks in modifying existing documentation may prove to be greater than those in starting afresh with new legislation and supporting regulations. New regulations cannot be implemented quickly and short term changes to existing regulations may be needed.

5.3 SUPPLY - SECTOR CAPACITY

The core issue with capacity is that supply rarely matches demand, leading to both industry disquiet (not enough work) or passenger complaints (not enough vehicles).

Ideally, the availability (supply) of services would perfectly match demand. While there will never be a perfect match, current sector resources could be better aligned with demand. The most significant issue is the number of vehicles on the road that are actively responding to seasonal, weekly and daily demand fluctuations. Regulatory constraints on the sector restrict the flexibility of industry to meet overall demand and fluctuations within it.

5.3.1 Retain the current cap on taxis

The licence cap prevents uncontrolled growth in the number of cabs on the road. If there are few barriers to entry and no enforcement of standards, each additional vehicle will reduce the viability of the whole fleet. Rational operators will lower standards or leave the industry. As a result, standards will progressively drop, until eventually even low cost, low standard operators are non-viable and the sector essentially fails. While retaining the cap does not ensure any particular standard is met, it does limit competitive pressure on operators.

5.3.2 Apply the cap to all personal, point to point categories

Differences between licence categories lead to market responses that do not necessarily best satisfy market demand. We believe the distinction between taxis and minibuses leads to artificial business models and the exploitation of regulatory distinctions. The growth in minibus numbers in Nhulunbuy is an example of this. Extending the cap to all personal point to point transport would reduce the incentive to select an inappropriate licence category and then indulge in predatory behaviour.

This solution would, however, only partially address the problem as new entrants would be channelled into a licence category based on its availability and would still offer the service for which they had identified a need regardless of the licence they held.

5.3.3 Abolish the cap

The restriction on licences issued to taxi operators is a government intervention supported by industry demand from existing operators. Proponents argue that without the cap, a large numbers of cabs will flood the market, spreading the work so thinly as to make the industry unsustainable in the longer term and pushing down driver earnings even further. However, the cap in itself does not guarantee either profitability or adequate driver earnings.

The cap is a single, arbitrary barrier to entry. It is not performance or quality based and serves to support existing licence holders by locking out new entrants and therefore creating value in the licence. Removing the cap alone would almost certainly create unsustainable competition, but if it were replaced by performance based barriers to entry, standards could be maintained while the market would indicate how many vehicles (and what type of licence) are required.

5.3.4 Vary the cap to match the established population ratio and seasonal factors

If the cap is retained, it might be made more flexible by better matching it to actual residents (including transitory workers) and tourists, as well as setting different ratios for the wet and dry seasons.

The practical workings of this idea would require more government involvement in understanding market forces (demand, costs and revenue) to set a fair licence price for peak seasons. Even with research resources to support this, it would be hard to satisfy all members of the industry that the regulations reflected market and industry needs.

5.3.5 Create significantly higher barriers to entry

Some overseas case study evidence suggests that removal of licence number restrictions is less likely to lead to oversupply where there are significant barriers to entry. Barriers typically

include high levels of training and operational accreditation that proves that the applicant has satisfactory business infrastructure and can meet the nominated standards over the longer term.

Suitable barriers to entry would ensure that new entrants are ready and able to deliver a satisfactory level of service without jeopardising the stability and effective delivery of service by existing operators.

Since many of the most suitable aspirant licence holders are established drivers, setting a financial barrier to entry is likely to be an unreasonable obstacle. However, there is a valid need for some infrastructure to be provided by the new entrant (not only the vehicle itself). Whereas in other jurisdictions the purchase or rental of the licence is a significant financial barrier to entry, the annual licence fee in the Territory allows more scope for applicants to invest money and time in achieving a standards based accreditation hurdle rather than a financial (capital investment) one.

5.3.6 Retain cap and allow controlled licence trading

If set at a suitable level, the cap does constrain supply. With a cap but without transfer or sale of licences, there is no market for established businesses. Some current operators would like to sell their taxi assets as a going concern, and might forego any scarcity value, but are unable to as their licences must be returned and balloted, leaving them with vehicles, drivers and other infrastructure.

Victoria has instituted a mechanism for trading licences using the Bendigo Stock Exchange (BSX). A similar mechanism could be introduced for some or all categories of NT CPV licence, providing licence transfer is recognised. This would, in principle, mean that trading is transparent and help new entrants buy a licence at a fair market price.

An alternative model would facilitate buy-back and resale through the regulator. This would essentially mean the regulator would need to set the price and manage a form of ballot.

5.3.7 Legitimise sub-leasing of licences and charge fees to sublease

Some other Australian jurisdictions allow subleasing of established licences. This allows value to be recognised in the licence. Subleasing creates an opportunity for new entrants to rent rather than buy, lowering the barrier to entry.

With sub-leasing, some of the money collected in fares is paid to licence holders who need make no contribution to the industry and whose rental rights are created by government restrictions on licence supply.

5.3.8 Conclusions

We do not believe there is a valid reason to apply an arbitrary limit on the number of licences issued in any CPV licence category. Placing service standards and quality based requirements on commercial operators will moderate supply variations more responsively.

The cap is artificial and introduces distortions which regulation must offset. A solution that does not involve a cap would be more transparent and simpler to administer. However, if the removal of the cap leads to market flooding, the outcomes will be worse. We believe that sensible barriers to entry, coupled with removal of the cap, offer a superior alternative to the current model.

We believe two other fundamental principles apply. Firstly, the 'value' created by the cap should not accrue to licence holders as a by product of success in a licence ballot. Secondly, the regulator should not be required to set a licence price nor manage a market process.

The Victorian experience with licence trading has not eliminated predatory behaviour since the market is essentially illiquid. We have heard sufficient reports of undocumented payments being required from buyers that this option appears to fall well short of creating a genuinely free market in licences. Given that the Territory does not recognise that licence holders acquire an enduring and transferable value from their licences (since the buyback), there seems to be no merit in establishing a licence trading market for NT CPV licences.

If licences were to have a capital value, subleasing would be essential to allow new entrants in to the market, but we believe the concept of buying a licence, where the value is created by a government imposed scarcity constraint, has no justification and subleasing is therefore a solution to an unnecessary problem.

5.4 SUPPLY - CATEGORIES

Industry and passenger representatives made many adverse observations on the differences between, and the constraints on, licence categories. Passengers are confused about the differences between vehicle and service types, and industry is frustrated by the limitations placed on each category in order to provide distinct licence categories.

Much of the inefficiency and stress related to the sector results from the segregation of licences into nine categories. While the differences are the result of careful design (in particular matching permissions to fees), the reality is that the licence fees may not reflect the value the market places on each category. Additionally, caps on supply mean non-capped providers, notably minibuses and private hire, try to encroach on work that the capped taxi sector believes is theirs.

5.4.1 Simplify regulatory categories

NT has more CPV categories than other jurisdictions, yet fewer vehicles than most. Vehicle categories could be reduced in number and the regulations applying to them standardised to cover different vehicle types doing similar work. This would also reduce the volume of legislation both through reducing the number of separate categories and also through reducing the need to formalise the boundaries between them.

5.4.2 Conclusions

We believe that the distinction between categories is subtle in many cases and that the additional overhead that results from managing the distinctions and enforcing compliance exceeds the value of the flexibility that the additional categories provide. Creating a smaller number of categories and configuring each of them to allow different service models within the category would seem a more robust approach, additionally offering some degree of future proofing and allowing regulations to be substantially simplified.

5.5 INDUSTRY ENTRY AND CAREER PATHS

The industry struggles to find good people, especially drivers. It struggles to train them, and then to keep them long enough for them to build a career. Yet those who have stayed told us that they would like to make a long term future in the industry.

The lack of readily available, professional training has a significant negative impact on the quality of drivers and operators, the capacity to deliver quality services, the capacity to retain people and the ability to lift enforcement above basic compliance.

Much operational driver training is currently delivered by industry members who are neither professional trainers nor equipped with structured training resources. Training of taxi operators, hire car business operators and supervisors (in the bus industry) depends heavily on the capacity of the organisation or the individual to arrange training, leading to great variations in skill levels. These, combined with a base level rather than graduated syllabus for the core curriculum, means that service quality is typically well short of where it could be.

5.5.1 Establish a training authority to oversee operator and driver training

A single training authority would create a consistent qualifications regime as well as a suitable operator and driver training curriculum.

We believe that a planned and integrated approach to skills management through structured, graduated training is an essential building block in raising the standard of both drivers and operators. Establishing a training framework through a single industry training authority is a foundation step in establishing the training elements that the industry needs.

5.5.2 Upgrade initial training for drivers and operators

Current initial driver training covers basic skills for a new entrant. The coverage does not include adequate training on important matters such as disabled passenger management, nor on vehicles or equipment operated by other fleets which that driver might later encounter. Operator training appears to be at least as light.

We believe better initial training is vital if the goals of this review are to be achieved. The skills of operators and drivers are the manifestation of the service sought by passengers and without better basic training, other initiatives will fail.

5.5.3 Mandate ongoing operator and driver professional education

Neither operators nor drivers currently have to receive any CPV service specific training after being approved as a CPV driver - either in more sophisticated skills or in industry changes. Regular professional update training could be designed and mandated as a condition of ongoing accreditation or accreditation at a higher level.

We believe that as with any skill based service delivery, continuing training is vital to ensure individual skills are maintained and raised. This will also help raise overall industry standards and to some extent create a degree of professional standing, and therefore professional pride, amongst drivers and operators, contributing to service quality and people retention.

5.5.4 Provide central industry training

Unlike other jurisdictions, there is very little training infrastructure for CPV people at present and as a result, skills and service standards are patchy. The small size and scattered distribution of the Territory CPV industry means that economies of scale are vital if training is to be mandated. A centrally organised training programme could be instituted through a tender and contract process. It would follow a standard syllabus with fixed costs shared across the industry and regular, local delivery of training in all CPV centres.

We believe that a centrally let contract, while an extra cost burden on the industry, will be cheaper than the current arrangements and will produce longer term benefits that outweigh the costs - not only for the industry but for the businesses and people involved.

5.5.5 Probationary driver accreditation

The CPV industry is one of a number of occupations which few new workers aspire to join and which sees a very high early drop out rate. Yet people who stay often stay for a long time. It is vital to create an opportunity for people to try CPV driving before they commit to lengthy training. Obviously every driver must meet legislated standards to drive the vehicle as well as minimum standards of service. A short, fixed term probationary period would allow drivers with the necessary endorsements to hold a CPV permit. It would need to be subject to police checks and operator delivered basic training with the person then permitted to work for (say) three months under supervision and without the possibility of the permit being extended. We envisage this option covering not only taxis but all other categories including buses.

We believe that as well as raising entry standards, it is vital to widen the entry funnel to the industry and that this should be done through a tightly managed and structured scheme, allowing individuals to try out for a limited period while minimising the risks to passengers and the industry.

5.5.6 Require operators to provide for succession

Drivers are self employed and must meet the superannuation requirements set down by law. We see no reason to distinguish between them and other self employed people who generate an income through personal exertion, rather than through investment.

Operators do, to some extent, develop a business. There is currently no way for them to realise the value of that business and they may have made little provision for retirement, choosing instead to invest in their businesses. There is an argument for requiring operators to contribute to a fund, perhaps as part of the licence fee, which would pay out on their retirement, allowing them to leave the industry at a normal retirement age. This would address some legitimate concerns current operators have about their financial future, though it would not address the needs of those leaving the industry in the shorter term.

5.5.7 Conclusions

Training and testing are clearly vital if this high profile industry is to deliver high service standards. Centrally designed and delivered core training is cheaper and easier to maintain than local and individually funded training, despite the extra set up costs.

Importantly, the recipients of the training gain significant long term benefits, while progressive training also helps the career management of employees and bailees by operators and others in the industry.

5.6 STANDARDS

Government and passenger stakeholders commented adversely on the quality of the industry and services it provides, while many in the industry itself were highly critical of the standards of their peers (in ways that were, to us, different from healthy competition).

Some specific issues related to standards are also covered in other Options sections. Two standards specific options are considered here.

5.6.1 Develop a standards based accreditation regime

Setting, monitoring, and managing to a detailed set of service driven standards represents a significant move away from the concept of market driven and monitored activity. It does however fit with the view that CPVs provide a form of public transport. Outcome based rather than input based measures would entail the identification of measures and the implementation of a management framework. Operators, networks and drivers would require initial accreditation and ongoing review.

The benefits of introducing standards based accreditation will only accrue if the standards are comprehensive, appropriate and thoroughly tested. The accreditation system currently being introduced in Victoria is expected to provide a regime that requires a higher standard of operation without being onerous. The Territory would need to carefully develop and implement accreditation based standards to realise the same benefits.

5.6.2 Strengthen the requirement for licence compliance

Currently, each licence in a category carries the same rights and responsibilities as other licences in that category, unless modified by specific terms and conditions. There is scope to match licence holding to compliance and performance through a penalty system. This option would see the suspension of licences which experience serious compliance breaches or sustained performance failures. Pre-suspension management through programmes of rectification management would encourage licence holders to improve performance rather than lose their licence.

This has the merit of being a performance based approach but it depends heavily on enforcement activities.

5.6.3 Conclusions

The widespread concern about the standards of service (especially about inconsistency) supports calls for an initiative that will raise standards of all industry participants, all the time. There is a cost/benefit trade off within the first option presented here, and a real risk that, without serious attention to standards monitoring (in particular), competitive pressure to minimise standards will continue.

Licence suspension for non-compliance has particular merit if licence ownership is permitted, as it would mean the capital value could be lost for non-compliance. However, the approach will

focus on rectification after service failure rather than the development of well designed and run business operations, delivered by competent staff. A comprehensive standards based accreditation scheme would encourage the development of sound practices in well run businesses.

5.7 ROLES OF INVESTORS AND SPECULATORS

The buyback of licences in 2001 was intended to remove investors and speculators from the taxi sector. However, there is pressure from licence holders to realise perceived capital value in their taxi business through selling or leasing their licences. This is not an issue in the other eight, uncapped categories.

Like other business sectors, CPV providers need access to capital and funding options need to be available, so genuine, productive investment in the industry is valid.

Investors and speculators are an established part of the licensing landscape in other jurisdictions and the current NT environment suggests to us that they are only a small step away from reappearing in the Territory too - if they aren't present already. The challenge is to distinguish between people involved in genuine funding for a taxi business and those trading in a scarce 'permission' that has been granted by government (the licence to ply for hire).

5.7.1 Lock out all non-participating investors from taxi sector

The primary speculative opportunity in this industry is through holding a licence which has a scarcity value. We believe that investors in this industry do little more than drain money from the fare box without providing necessary capital to grow the industry. Locking out speculators might be done either through banning the sale of licences (provided this can be enforced) or by eliminating the scarcity value through lifting all licence number caps.

5.7.2 Formalise pathways for financial investment in taxi sector

While entry to the industry is not especially capital intensive - requiring little more than a suitably specified vehicle - the industry as a whole needs capital investment to support operator and network infrastructure.

Currently, only licence holders can operate a taxi business. While the cap operates, the only way to grow a taxi operation and therefore create scale efficiencies is through luck in the ballot or assembly of a cooperative. Although difficult to administer, there may be scope to formalise such aggregation into legitimate corporate structures without creating windfall gains for licence holders.

5.7.3 Conclusions

The capacity of government to exclude speculators is very limited if licences have a scarcity value. Industry will find a way around almost any rules, and enforcement will need to be draconian to detect such solutions.

The elimination of scarcity value in licences (by lifting all caps) essentially eliminates the problems of speculative gain.

We believe that the alternative of formalising investment pathways is too complex and open to abuse, while offering relatively few benefits to new or established operators.

5.8 RESPONSES TO DEMAND

Demand is not being met at peak times, neither is it being met in some locations, nor for many disadvantaged or disabled passengers.

The most consistent message from stakeholders concerns availability of CPVs for point to point trips. Taxi, hire car and limousine services do not satisfactorily meet demand, and while the peak-and-trough nature of demand, means demand will never be fully met, it would appear that tackling this problem is the highest passenger priority.

For disabled and disadvantaged passengers, problems of availability are amplified. Equity of access is not enough when 'standard' access is below an acceptable standard.

Demand is generally outside the control of the industry and while government can influence demand in a number of ways, the options considered essential cover responses to expected demand to provide higher accessibility, equity and quality.

5.8.1 Mandate service availability standards

The shortage of personal, point to point CPV vehicles on the road at peak times, especially but not only in Darwin, suggests either that there are not enough vehicles operating or that they are available at the wrong times. Victoria is moving to a legislative model that will allow government to require each taxi to be available for hire for a nominated proportion of peak times each month. In this option we envisage covering all metered vehicles and setting availability standards for peak, shoulder and off-peak times during the weekly cycle as well as differentiating between wet and dry seasons.

Bus type services would need to deliver services as promised.

Taxi operators will need to find drivers willing to cover the percentage of shifts specified in their service standard. We recognise that this will be difficult, but it would help those operators who are skilled at recruiting drivers as they will no longer compete with operators whose vehicles only operate part time.

While it is simply not possible to meet all peak demand, we do believe that setting service availability standards which oblige operators to focus on peak times and to find drivers willing to work these times (or relinquish their licence) would have a significant impact on meeting demand.

5.8.2 Mandate disabled access for all CPVs

Wheelchair bound passengers have access to a far smaller fleet of taxis than other passengers, and are almost entirely excluded from other CPV types. Unsurprisingly, this group of passengers has greater difficulty in getting a vehicle and this is compounded by many (not all) drivers avoiding wheelchair work when 'standard' work is available. Wheelchair access to CPV transport is therefore constrained by the number of MPT vehicles and by the willingness of their drivers to accept wheelchair jobs. Some jurisdictions(including NT) provide capital incentives to acquire MPTs as well as providing incentives to accept wheelchair jobs.

5.8.3 Cross subsidise MPT vehicles

An alternative approach to providing equity of access would be to cross subsidise wheelchair accessible cabs, whereby non-MPT operators contribute to the additional capital costs borne by

MPT operators. There are a number of alternative ways to cross subsidise MPT purchase. Implicit mechanisms include allowing MPTs a longer operating life and levying a lower licence fee (already done within NT). Explicit mechanisms include levying all operators or paying a capital contribution from licence fee revenue. Other jurisdictions refuse to issue standard licences until outstanding MPT licences are taken up, in effect forcing industry players to cross subsidise each other.

We believe that cross subsidisation is a cost effective approach at a community level, provided the cross subsidy is spread across the industry and not borne by a subset of operators.

Additionally, while we generally do not advocate using vehicle standards to distort the market, there is an argument that MPTs (built to commercial rather than private vehicle standards) should have a longer life and be allowed to operate for longer, allowing a lower annual depreciation and to some extent levelling the playing field.

5.8.4 Intervene to improve disabled trip availability

Even if vehicles are available, drivers don't necessarily accept wheelchair bookings (which are primarily network offered). A number of practical initiatives would provide equity of access.

- Mandated training for all drivers in how to provide for disabled and disadvantaged passengers - whether wheelchair-bound or not - would address the issue of drivers who are not trained to load disabled passengers.
- Network protocols would ensure MPTs are not offered other work when wheelchair jobs are waiting.
- A central booking service for wheelchair jobs could access not only all available local networks but also hire car and other providers, maximising the pool of available vehicles.

Since a disabled passenger usually takes longer to enter and leave a CPV, there is a financial cost to the industry. While the lift incentive helps, it is a blunt tool and other mechanisms are needed to make such trips more attractive. We believe that at least part of the problem is behavioural rather than financial and that a mix of training, resource allocation (central booking) and job 'allocation' by networks would make a significant difference.

5.8.5 Review service design

The research and consultation we have conducted suggests that service design (i.e. the mix of metered, hire car and bus type trips) has resulted from a combination of lengthy history and responses to regulation. We believe there is scope to encourage alternative service models, but these must be enabled by regulation. This option is explored in more detail later in regard to licence categories but conceptually provides for passenger aggregation (bus style services) and structured connections between CPVs and other transport.

This approach depends on the industry responding to opportunities rather than continuing to provide service on long established models. Changing regulations alone will not lead to innovation, but coupled with other recommendations, we believe that there are sufficient entrepreneurial operations in NT to gradually develop new service types.

5.8.6 Review operational areas

Changing settlement patterns mean many passengers now live outside metered zones. Different metering rules outside these zones create particular difficulties for passengers because they are

not directly serviced by a taxi operation and fares are not restricted. This option involves a review, and in many cases an extension, of taxi zones.

We believe that zones create a two-level service which discriminates against those immediately outside the zones. Extending urban taxi zone boundaries to fully include each CPV centre and its satellite settlements would overcome this.

However, while it would be possible to fully cover the Territory, requiring urban licence holders to service remote areas would have too big an impact on urban vehicles and service providers to be reasonable⁴.

The review should also consider creating remote zones so that every part of the Territory can be covered by regulated fares. This would mean setting new, remote metered tariffs, and encouraging existing or new networks to offer services in these remote zones either as stand-alone networks or in connection with urban zones. This would allow for dedicated operations providing bush services in off-road vehicles, as well as scope for operators in urban areas to additionally hold remote zone licences and offer metered fares outside the urban zone, if they wished. We would imagine a proportion of cabs in each urban centre might be licensed for such a remote zone.

5.8.7 Coordinate and upgrade ranks

Although well-known by locals, ranks in NT centres are often indifferently located and poorly equipped. Where they are well located and configured, they work very well. Central planning of rank location and provision of security and waiting infrastructure would encourage passengers and drivers to gravitate to ranks.

We believe that ranks offer greater safety for passengers and drivers as well as facilitating an efficient match between supply and demand by attracting both passengers and vehicles into one location. Sensible investment would improve demand management and the quality of service provided.

5.8.8 Extend the complaints process

Protection for passengers, especially those in remote locations, indigenous people and the disabled, can be improved by a more rigorous process to follow up their complaints. This might include placing responsibilities on networks and operators to formally record complaints and meet complaint management standards and it might also include the creation of a central clearing house (perhaps an outsourced call centre) to log and pursue complaints.

Recent work within DPI may have addressed some of the problems, but the difficulty of identifying the person responsible when the chain includes network, operator and driver means that a more wide reaching system has merit.

This initiative would be significantly enhanced by a parallel focus on passenger education, particularly if linked closely into the complaints process (given the difficulty of reaching the passengers in general).

⁴ Demand for remote service is currently met in part by 'bush taxi' services although these operate as much like a bus as a taxi. This option would enable them to charge metered fares if they held an appropriate licence.

5.8.9 Conclusions

There is a clear need to intervene to ensure service delivery and equity of access.

Looking specifically at MPT vehicles, the number of wheelchair passengers is relatively low and we believe that the substantial initial investment and ongoing running costs of making all vehicles wheelchair accessible would be unsustainable. Cross subsidisation, however it is structured, will therefore be essential to achieve equity of access for disabled and disadvantaged passengers.

Other regulatory interventions, particularly based on service standards and the funding of some infrastructure such as better ranking facilities, would have a significant impact on meeting demand expectations (both quality and availability), especially if supported by supply side changes covered elsewhere. Regulatory change to the operational framework, through making it easier for industry to offer small bus style operations and through changing the current zone structure, would also help improve availability of transport to meet passenger needs.

5.9 THE CPV BOARD

The CPV Board is intended to provide a single conduit for advice from industry and passengers to DPI and the Minister. The views we heard suggest that it does not achieve this goal.

The CPV Board is less than ten years old but has been through two forms. Feedback is that neither the first nor the current has met expectations. It has succeeded in bringing part of the industry and some passenger interests together and has delivered some valuable insights for government leading to constructive change. However, it often fails to reach consensus on the most important issues and lacks full representation or a mediating/ moderating role.

5.9.1 Review Board functions and powers

The simplest approach is to retain the Board but refocus it. It might be constituted as an Industry Association, possibly supported but certainly recognised by the NT Government. The body would be routinely consulted on all significant proposed changes as well as being invited to propose policy and operational changes to the Government.

The disparate nature of the industry and the competing (and often conflicting) interests of participants means that a single industry body will struggle to reach agreement and present a coherent view on sectoral matters. As a consultative group, it has merit, but such a body is unlikely to eliminate direct lobbying by narrower interests.

5.9.2 Restructure and review representation but retain the current role

The Board comprises appointed members. With the best of intentions, it cannot cover all interested parties and does not reflect natural industry groupings (which are in any case transitory). A thorough and regularly repeated review of representation to ensure that every industry member and every passenger advocacy group to identify a (satisfactory) representative on the Board might enable it to meet its objectives.

We believe DPI has done the best it can to encourage cross representation. However, the availability of alternative channels to decision makers means that some key industry members see little merit in the Board when they can reach the Minister or Department directly.

5.9.3 Replicate the Alice Springs operational focus in Darwin

The sub-committee in Alice Springs appears to play a role in transport planning and innovation that complements the role of DPI. Through the commitment of its members, it has overcome local competitive pressures to achieve some local but meaningful changes. This option envisages the Board role becoming entirely operational, with sub-committees for each CPV centre.

There is a clear need for a consolidated industry voice when there are shared goals, particularly at a practical level. We believe the Department has a role in facilitating this, but from a sector development perspective rather than as a regulator.

5.9.4 Discontinue the Board and recognise alternative channels

The Board is unique to the Territory. In most other jurisdictions, existing industry bodies are consulted by governments, and while this is not always satisfactory, it means that industry takes responsibility for organising itself. We do not propose open channels of communication with anyone who seeks individual attention, but we do envisage DPI offering to consult with a small number of peak bodies, each representing one significant group, and numbering no more than five in total. The Taxi Council may or may not cover that sub-sector, while new bodies might be needed for chartered vehicles, buses, passengers and drivers.

We believe that experience with the CPV Board, and the approach in other jurisdictions⁵, supports the idea of formal relationships with more than one body, subject to each body being demonstrably representative and subject to government resisting collective approaches from sub groups. Clearly, the democratic process must allow individuals to represent their own interests to the Minister, but collective views should only be welcomed from these peak bodies. Getting such bodies established is difficult, and it may be that the best support government can provide is to assist with funding their infrastructure.

5.9.5 Conclusions

Genuine representation is a vital attribute of government industry cooperation. The inclusion of all parts of the CPV industry, together with some community representatives, would mean that issues could be discussed comprehensively and competing interests could be heard. In addition, the involvement of Department decision makers would often allow issues to be resolved directly.

⁵ For comparison, the Victorian Government deals with the Victorian Taxi Association, the Victorian Taxi Operator Group and a driver body in addition to the peak body covering the bus sector and at least one association covering private hire vehicles.

6. RECOMMENDATIONS

6.1 DECLARE THREE LICENCE CATEGORIES

This recommendation particularly addresses regulatory complexity and supply issues

Current licence categories are complex and not well understood. Boundaries between them, while designed systematically and logically, create tensions between competing licence holders as well as compliance requirements that arise purely from the need to differentiate categories.

There is a need to distinguish both between genuinely different service needs (i.e. passenger requirements) as well as between different service delivery models (i.e. business approaches to delivering the services) that have been developed in response to them. We believe, however, that it is not for government to design business delivery models and that doing so serves only to limit market innovation and flexibility.

There is no perfect number of licence categories, but we see three distinct service needs, in response to which significantly different service delivery models (and business models) will be offered by the market.

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 in this category but we also saw 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. Current regulations do not facilitate the development of such services.

We recommend that this bus category requires applicants to demonstrate demand and in return for meeting declared service levels, that they should be provided a degree of protection against predatory competition.

Taxis

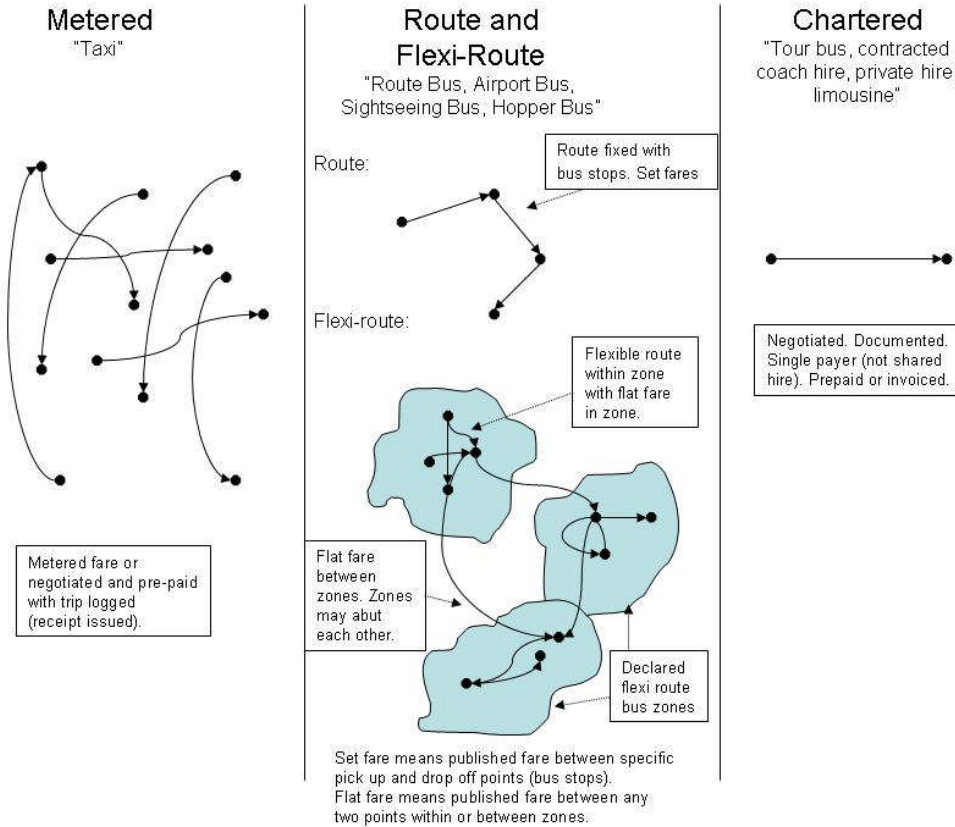
Across the world taxis provide a standardised service which is available to all potential passengers within designated areas. Rules and conventions are well understood, and this guarantees that there will be demand, even though the sector is dominated by individuals and very small businesses.

We support the continuance of a taxi, or metered service, category having exclusive access to spontaneous, on street trip demand. In return for this valuable right, the category must meet closely monitored service standards.

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 we can see 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.

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.



Recommendation 1.1. Establish service zones including coverage for the whole of the Territory, declared zones for specific licence holders in and around major centres and create conditions outside these areas.

Recommendation 1.2. Discontinue the current 9 categories of licence and replace them with three categories: route, metered and chartered.

Recommendation 1.3. Develop regulations to specify how fares will be set and charged by categories of licensed service.

Recommendation 1.4. Strengthen basic licence entry criteria for each licence category and associated licence retention criteria.

Recommendation 1.5. Develop service approval requirements for route services.

Recommendation 1.6. Develop availability standards for metered services.

Recommendation 1.7. Develop service profile requirements for chartered services.

Recommendation 1.8. Develop trip acquisition (including service advertising and notification) regulations for all licence categories.

6.2 CREATE INDUSTRY INVESTMENT FRAMEWORK

This recommendation particularly addresses demand, service provision, career and industry sustainability issues

Deep and enduring reform of the industry requires investment as well as regulatory change. We recognise that the Territory Government generally does not subsidise the industry, though it does invest heavily in regulatory and administrative oversight and it does provide equity of access support (the lift incentive). This means that much of the new investment must come from passengers via the industry. It must be done fairly, otherwise there will be manipulation of licence categories and other constraints. Any money raised through the industry must not jeopardise sector viability and must produce demonstrable benefits for industry participants.

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.

We believe that industry should be required to contribute to shared industry investments, provided the benefits are clearly identifiable. We therefore recommend mandating a payment by each licence holder to an industry fund as a condition of accreditation.

The current licence fee primarily repays the 2001 buyback programme and if continued once that is complete would represent a tax on travel. However, adding an additional burden prior to the debt being repaid may jeopardise industry viability so we believe government should consider an initial contribution to start the fund until the repayments cease.

The fund assets would be allocated in a process of consultation between industry, peak bodies and government, ensuring that where a benefit accrues to one licence category, only that category's contribution goes towards funding it.

The levy amount for each category will broadly reflect the value of the fund to members of that category and remove the linkage between fees and access rights seen at present.

Each licence category will pay a set fee. We envisage this being made up of two components:

- An annual fee to hold the licence (subject to meeting accreditation standards). There would not be a pro-rata payment for a part year as this fee is intended to fund the fixed costs of the industry.
- A monthly fee for every month that the licence is actively used. This fee would not be paid if the licence is inactive, allowing operators to suspend a vehicle during quiet times in response to lower demand. An inactive licence would not need to meet service standards (e.g. availability) during that period, but would need to resume full compliance when reactivated.

The annual and monthly fees will be to some extent arbitrary as there is no objective way to accurately tie the fee to revenue earning potential. However, as an indication, we believe that annual levies similar to current licence fees would be appropriate for taxis, with charter and bus operators paying roughly half this fee, reflecting the lower level of benefit to their operations.

The fund will be used to:

1. Create and deliver centrally organised, locally delivered operator and driver training which is available to individuals at an affordable cost.

2. Provide for new and upgraded ranks and other physical infrastructure.
3. Cross subsidise service delivery to ensure that disabled and disadvantaged passengers have equal access. This would include an MPT central booking service and a subsidy for MPT vehicle acquisition, levelling the playing field for operators who wish to buy such vehicles.

In addition, drivers and operators should, perhaps as a condition of accreditation, be required to provide adequately for retirement from the industry. Contributory funds might need to be established to support this.

Recommendation 2.1. Develop a funding method for infrastructure that is sustainable and fair.

Recommendation 2.2. Develop driver and operator training curriculum.

Recommendation 2.3. Engage a single training provider to provide Territory wide training for drivers and operators.

Recommendation 2.4. 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 2.5. 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 2.6. Mandate, and include in central training delivery, coverage of disabled passenger handling skills for all drivers.

Recommendation 2.7. Develop a plan for the upgrade of ranks for those licence categories entitled to rank, identify funding and implement the plan.

Recommendation 2.8. Develop a public education campaign to promote rights and responsibilities as well as how to best use CPV services.

Recommendation 2.9. Develop a plan for a central complaint clearing house, identify funding and implement the plan.

Recommendation 2.10. Include retirement funding requirements in accreditation standards and support development of driver and operator contributory funds where these do not exist.

6.3 REMOVE THE CAP ON TAXI LICENCE NUMBERS

This recommendation particularly addresses matching of demand and supply as well as career/business opportunity issues

The licence cap prevents uncontrolled growth in the number of cabs on the road. The cap was introduced in 2003 in response to 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. Removing it would eliminate a barrier to new entrants.

We do not believe that re-establishing value in licences delivers any benefit to the community, nor indeed to industry members other than those who currently hold licences they have acquired either in the grandfathering of current licences in 2003 or subsequently in the ballot. We believe that allowing value to accumulate in licences creates a barrier to entry that does nothing to select the best entrants to the industry - indeed it encourages people to retain licences even when there is little operational logic.

While the feared increase in the number of cabs would spread existing work more thinly, it is very likely that currently unfulfilled demand will increase the total pool of money spent by passengers. Equally, operators who will in future pay less 'rent' or interest to hold a scarce licence will have more money to, amongst other things, pay their drivers. We believe competitive pressures will drive this.

We do not accept the argument that the licence value is a form of superannuation, that it is comparable to goodwill in other small businesses, since the cab's past trips generate almost no goodwill (repeat business) for that specific cab. We are sympathetic to the need to provide for retirement, but this is not the way to do it.

The cap is a single, arbitrary barrier to entry. It is not performance or quality based and serves to support existing licence holders by locking out new entrants and therefore creating scarcity value. Removing the cap alone would almost certainly create unsustainable competition, but if it were replaced by performance based barriers to entry, standards could be maintained while the market would indicate how many vehicles (and what types of services) were required.

We therefore believe that a better way to manage entry is through the setting of entry and performance standards, as described in the next set of recommendations.

We recommend that the cap be lifted only when the system of service standards has been developed, the regime implemented, and all licence holders that wish to remain in the industry have had the chance to become accredited.

Recommendation 3.1. Create a scale of licence fees for licence categories that reflects different business opportunities for each category.

Recommendation 3.2. Create a separate annual and monthly licence fee structure, allowing licences to be retained but not used when the monthly fee is not paid, provided the annual fee is paid.

Recommendation 3.3. Abolish the cap on licence numbers.

6.4 ACCREDIT AGAINST SERVICE STANDARDS

This recommendation particularly addresses demand problems, variable service standards and supply issues

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 mean 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, understand 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.

We therefore recommend 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.

The proposed entry standards include:

1. CPV service delivery skills for drivers to that they meet service delivery expectations
2. CPV business operation skills for operators so that they are better equipped to run compliant operations that satisfy their licence conditions
3. Demonstrated adequacy of business infrastructure, including business processes that support safety, CPV regulatory compliance and demonstrate performance reporting capability
4. Satisfactory history of compliance with CPV regulation (if they have previously had an involvement with the industry)
5. Personal suitability (police etc), as at present

The proposed ongoing standards include:

1. Service availability for taxis and buses (percentage of time the licensed vehicle is available for hire or operating a service)
2. Acceptance of offered jobs by taxis, including MPT if so equipped
3. Regulatory compliance

It is worth noting that other jurisdictions, including Victoria, are pursuing comprehensive accreditation regimes as a way of ensuring consistent delivery of service.

Recommendation 4.1. Develop accreditation standards for each licence category covering people and vehicles.

Recommendation 4.2. Review and extend industry standards for service covering: competency and training; safety and safe working; equipment and infrastructure; service provision; reporting and complaints.

Recommendation 4.3. Develop clear statements of rights and obligations, covering NSPs, operators, drivers and passengers. These should link to any accreditation system put in place as well as covering agreements between drivers, operators and NSPs.

Recommendation 4.4. Create accreditation processes to support each role in each licence category.

Recommendation 4.5. Review and improve administrative processes to support changes to regulation.

Recommendation 4.6. Establish a central complaints register, whether data is provided from industry participants or a central clearing house, reporting on complaints trends and the extent to which complaints are resolved.

Recommendation 4.7. Undertake a CPV skills and training review for DPI and other staff.

6.5 CLARIFY REGULATIONS

This recommendation particularly addresses regulatory complexity.

The current legislative and regulatory framework is broadly described as complex and difficult to understand. As a result, what should be clear rules are open to interpretation and are applied inconsistently.

We believe that there is a strong case for legislative and regulatory rewriting to:

1. Reflect the adoption of our other recommendations, many of which will require such changes.
2. Reduce the scope for exceptions and the need for interpretation.
3. Clarify rules for the benefit of industry.
4. Reduce tensions within the industry which currently arise from different interpretations of the regulations.
5. Reduce DPI administration through business process simplification and a reduction in demand for advice and decisions.

We recognise that rewriting these documents is a major task, with long timelines and the need for commitment within other parts of government. However, the benefits will be realised over a long time.

Without knowing which recommendations will be adopted, and without undertaking a regulatory change review, it is not possible for us to recommend whether to upgrade existing documents or start afresh, but we do recommend that work be undertaken that will lead to simplified formal documents backed up by easy-to-use explanatory and educational material.

We note that the adoption of the three categories recommendation will itself simplify regulations as fewer categories will need to be defined and fewer inter-category boundaries will need to be specified.

Recommendation 5.1. Review structure and delivery of administrative oversight to the industry, including compliance and enforcement, to match changes arising from the recommendations that are selected for implementation.

Recommendation 5.2. Create new, single source regulatory documents, written in clear and easy-to-understand language.

6.6 RESTRUCTURE THE CPV BOARD

This recommendation particularly addresses issues relating to the links between government and industry.

The CPV Board does not provide effective and accepted links between government, industry and passengers, despite the efforts of its members.

We recognise 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.

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

We recommend that the Department should re-form the Board, covering each of these groups:

1. Taxi operators and network service providers
2. Bus operators
3. Chartered vehicle operators
4. Drivers (of all licence types)
5. Passengers

We recommend that government should work with peak bodies, where they exist, to ensure representative coverage. Once in place, Government should resist approaches from individuals or bodies, referring them to the new Board.

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.

We also recommend replicating the successful forum that exists in Alice Springs, introducing similar bodies elsewhere.⁶ 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 CPV Branch or MVR, 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.

⁶ We envisage groups forming in Darwin, Alice Springs, Katherine, Nhulunbuy and Tennant Creek.

Recommendation 6.1. Restructure the CPV Board as a strategic, representative, advisory body, covering industry and the community.

Recommendation 6.2. Support the creation of local CPV forums to address local operational issues.

6.7 DEVELOP A STRATEGIC PLAN FOR THE SECTOR

This recommendation particularly addresses forward planning and industry/government relationship issues

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.

Given the enthusiasm for sectoral reform and improvement, we believe that now is the time to produce a visionary document, developed as a result of work by government and industry together, and possibly involving other community (passenger) participants. This will be vital in creating confidence both in the long term sustainability, and in the likely shape, of the industry.

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.

We recommend that a strategic plan for the sector be developed, articulating how government and the industry see the CPV industry developing over the next 5 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.

Matters that we believe should be covered in the Plan include:

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

Recommendation 7.1. Create a sector development strategy

7. CONCLUSIONS

Our review has been guided by the individual and collective views of a diverse group of industry, passenger and government stakeholders.

The messages we have heard, while often conflicting, can be reconciled into an integrated view of the sector. The interests of each party inform their views, but it is fair to say that everyone shares an overarching, positive view of the importance of the sector. Almost without exception, all the stakeholders we spoke to believed things could be better. Government is certainly not held to blame for all perceived weaknesses in the sector, but almost everyone believes it has a vital role to play in creating the foundations for better service provision, and ultimately, sustained growth of the industry.

We do not believe changes to the CPV industry should be seen in the context of a zero-sum game, where the gains of one are matched by the losses of another. Rather, there are many indications that clearing some of the regulatory obstacles will increase demand for trips, leading to more work for the sector and better service for passengers.

We believe that the complexity of the industry and the necessary regulation to oversee it means that an integrated set of recommendations is essential to ensure that change will produce a better collective outcome for the industry and passengers. The reforms proposed in this review are mutually connected and step beyond patching specific problems with remedies which, while appropriate for the specific problem, have flow on effects.

Implementation of these recommendations requires all stakeholders to be willing to let go of current models, progressively changing their activities to support the new model for regulation and delivery. It also requires willingness from all parties to work cooperatively as the proposals are implemented. While we believe that the overall approach will produce a much better industry, the success of the implementation will depend on cooperative and responsive approaches to developing the details.