

DEPARTMENT OF TRANSPORT AND WORKS

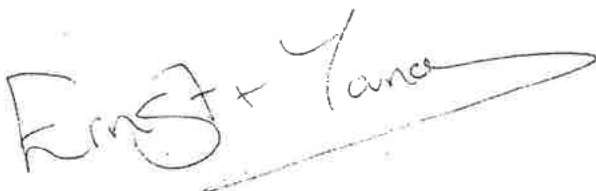
ROAD TRANSPORT SERVICES BRANCH

**TAXI NUMBER ASSESSMENT
IN DARWIN AND ALICE SPRINGS**

MAY 1996

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ERNST & YOUNG
May 1996



1. EXECUTIVE SUMMARY

- 1.1 This report, commissioned by the Department of Transport & Works ("the Department"), summarises the findings of our review into taxi licence numbers in Darwin and Alice Springs.
- 1.2 The prominent issue in this consultancy was to investigate and recommend an appropriate model for objectively assessing the number of licences that should be issued in the two districts.
- 1.3 We consulted with representatives from the taxi industry in both regions, along with those from the regional tourism associations. We discussed policies and practices with other state and territory regulatory authorities in Australia, and reviewed relevant reports on the industry available from the Department.
- 1.4 We noted some significant differences in the industry between Alice Springs and Darwin. Alice Springs appears to have a well coordinated industry operating through one co-operative network. It has one taxi to 784 head of population and appears to be providing good service generally. In contrast, the industry in Darwin appears more fragmented, with three main operators, and has relatively fewer cars with one taxi to 1,100 head of population.
- 1.5 We have considered two basic models. One is to issue licences based on a specified number per head of population. The second is to issue sufficient licences for the industry to meet agreed response times (the time from a hirers call to the taxi network, to the time when they are collected).
- 1.6 The model based on a number of taxis per head of population is not favoured because:
- the selection of the stipulated number of taxis per head of population is arbitrary; and
 - it would need to be adapted to take account of the effects of tourism on the population, the propensity of tourists to use taxis, and the population characteristics (such as the differing demand patterns between Aboriginal and Non-Aboriginal hirers).
- 1.7 We recommend that the Department adopts a model based on industry performance standards, primarily measured in response times. This is preferred because it objectively assesses additional licence requirements based on the industry's ability to meet demand.



- 1.8 This model is currently being implemented in Queensland. Based on market research, specific performance standards have been established. These standards are incorporated in an agreement with the industry which require the standards to be met. After considering influencing factors, if response times are not being met, additional licences would be issued until demand can be met.
- 1.9 The Queensland model can be used as a starting point. The key parameters are the following response times:
- | | |
|------------------|--|
| In peak periods | 85% of hirers wait no more than 18 minutes
95% of hirers wait no more than 30 minutes |
| In other periods | 85% of hirers wait no more than 10 minutes
95% of hirers wait no more than 20 minutes |
- 1.10 Market research undertaken in 1992 suggests that Territory customers consider a reasonable waiting time after a taxi is booked by phone is 6 - 10 minutes for 60% of users and up to 15 minutes for 85% of users.
- 1.11 We suggest that the market research is updated and used as a basis for establishing performance measures.
- 1.12 There are a number of additional issues to address prior to implementation. These include the following:
- whether the response time model is to apply to taxi ranks;
 - whether the Queensland model of separate response times for peak times and off-peak times are to be established;
 - identification of peak periods;
 - consideration of issuing peak period plates or supplementary plates for peak periods, and the control of such plates;
 - agreeing a definition of response time;
 - the method of monitoring the taxi industry's actual response times to acceptable response times;
 - the impact of influencing factors such as the views of users, changes in travel patterns, productivity, other types of services available and performance of the fleet;
 - enforcement of the model by legislation and/or establishing contracts with licenced operators; and



- the impact of this model on Gove, Katherine and Tennant Creek.

We discuss these issues in Section 6 of this report.

- 1.13 We further suggest that the onus of achieving the response times be placed on the industry. Whilst response time is the key measure, other performance measures could also be incorporated.
- 1.14 It may take a considerable amount of time to fully implement this model due to the collection of updated industry data and the enactment of legislative provisions.
- 1.15 In the short term, we recommend that the philosophy of the model is adopted immediately. We suggest it is unlikely that users perception of a reasonable waiting time would have changed from the 1992 market survey. On this basis, we recommend the parameters initially adopted for a reasonable waiting time for telephone bookings should be up to 15 minutes for 85% of users, and up to 20 minutes for 95% of users. We suggest one standard performance measure, on the basis that users are unlikely to have significant different acceptable waiting times for peak and non peak periods.
- 1.16 We understand that the Government is intending to issue a number of licences in the near future. We suggest that the 'response time' model is pursued as soon as possible.
- 1.17 We were requested to comment on whether the granting of two additional licences in Alice Springs would have a "devastating" impact on the industry. Whilst these licences may have an adverse impact on individual taxi viability, they are unlikely to have an overwhelming impact on the industry.
- 1.18 We were also asked to comment on the impact the current level of lessees is having on the industry in Darwin. Just over 65% of the taxi licences are leased. The main financial impact of allowing leasing is to increase the demand for plates (as they can be purchased for investment). This is likely to keep the prices higher so long as leasees believe they can still make an operating profit after paying for lease costs.
- 1.19 It is difficult to determine other impacts. However, an organisation operating a fleet of leased vehicles is likely to be in a position to achieve economies of scale. Generally, the more plates operated the greater the capacity to achieve economies of scale. Leasing payments are likely to give rise to a higher monthly financing cost than the purchase option, but they have the benefit of greater flexibility and low entry costs. Leasing increases the number of people who benefit from being involved in the industry, and rewards are shared between investors and operators.



- 1.20 Taxinet North, a network operator, maintains a fleet of leased vehicles. The strategic view of this operator is to maximise returns through efficient hiring hours and quality customer service. In these circumstances leasing may provide higher levels of customer service based on the operators business view.
- 1.21 It has been suggested to us that the net effect of leasing is likely to be a better level of service to the public for a given number of plates, but with a higher plate cost. However, we cannot identify any direct relationship between leasing, or the cost of the plate, to the level of service provided. We believe that the level of customer service provided is part of the business ethic and stems from the business objectives rather than having a direct relationship to whether the taxi plate is leased or financed through direct purchase.
- 1.22 During our discussions with taxi industry representatives, it was clear that competition from other forms of public transport, chiefly Private Hire Cars and Minibuses, where entry costs are much lower and which are regulated to a lesser extent, is a major industry concern.

2. INTRODUCTION

2.1 The taxi industry provides an important service to the public as an integral component of the passenger transport network. The industry operates within a regulated environment. This consultancy was required to address the terms of reference on the understanding that the industry will continue to be regulated. Our brief excluded the consideration of the impact on the taxi industry of other forms of public transport such as private hire cars and minibuses. However, these issues were raised by industry representatives and have been discussed in section 8.

2.2 The terms of reference for Alice Springs are:

- To assess whether two more licences (one being a special licence to provide a priority service to disabled persons) would have a “devastating” impact on the industry;
- To assess an objective method for determining the appropriate number of licences for this district; and
- Consider all relevant issues ranging from acceptable service levels to acceptable industry profitability.

2.3 The terms of reference for Darwin are:

- To assess an objective method for determining the appropriate number of licences for this district;
- To assess what impact (positive and negative) the current level of lessees (56 lessees operate 80 taxis) is having on the viability of the taxi industry, taking into account licensees, lessees and drivers; and
- Consider all relevant issues ranging from acceptable customer service levels to acceptable industry profitability.

2.4 A significant role played by the government is to issue taxi licences. There is currently significant debate with the industry over the appropriate number of licences to be issued. Throughout Australia different methodologies are applied. Some are based on objective models and others do not appear to have a sound basis.

- 2.5 The main focus of this report is an investigating and recommending an appropriate model for objectively assessing the number of licences that should be issued. This report outlines two main models and recommends a preferred option.
- 2.6 Other issues highlighted in the terms of reference are discussed. We also highlight prominent concerns which were expressed by the representatives from the taxi industry who were interviewed.



3. WORK PERFORMED

- 3.1 The work performed during this review is summarised in the following paragraphs.
- 3.2 Meetings were held with key representatives of the taxi industry who were consulted to express their views and obtain information relevant to the terms of reference. Those consulted were:
- (i) Alice Springs Taxis - Board of Directors and Kaye Cropley
 - (ii) Passenger Transport Systems Pty Ltd - Darwin
Jeremy Howley - Managing Director
 - (iii) Darwin Radio Taxis
Stephen Hall - Manager
Clint Coad - Member of the Board of Directors
 - (iv) Darwin Combined Taxis
John Castrissios - Manager
 - (v) Taxi Council of the Northern Territory
Peter Martin - President
Don DeLosa - Acting Executive Officer
- 3.3 Meetings were held with interested parties in respect to the service being provided. Those consulted were:
- (i) Federal Airports Corporation - Darwin
Ray Haines - Finance & Commercial Manager
 - (ii) Darwin Regional Tourism Association
Pauline Rayner / John Koldowski
 - (iii) Central Australian Tourism Industry Association
James Corvan - Manager
 - (iv) Bindi Centre Sales - Alice Springs
Tassy Evans - Workshop Manager for disability centre



3.4 We reviewed reports in respect of the taxi industry which were previously commissioned by the Department of Transport & Works. These were as follows:

- (i) Taxi Fare Review Project
Alan Jakins Consultancy 6 Nov 1989
- (ii) Report on the Taxi Industry in the Northern Territory
John Rippin no date on paper
- (iii) Taxi and Private Hire Car Usage Survey
McGregor Marketing April 15, 1992
- (iv) Taxi and Private Hire Car Usage Survey - 2nd Wave 1992
McGregor Marketing July 17, 1992

3.5 We contacted other states to assess how they were issuing taxi licences. In particular, assistance was given by:

Peta Irvine - Department of Transport & Works - Qld

Dianna Clealand - Passenger Transport Board - SA

Rolland Clark - Department of Urban Services - ACT

Gary Ellis - Department of Infrastructure - Victoria

Rob Lester - Metropolitan Taxis Department of Transport - WA



4. PROFILE OF INDUSTRY

- 4.1 Northern Territory taxi licences are issued in Darwin, Katherine, Nhulunbuy, Tennant Creek and Alice Springs districts. This consultancy was restricted to Darwin and Alice Springs districts only.

Alice Springs

- 4.2 Alice Springs fleet consists of 32 taxis, including three multi purpose vehicles. One multi purpose licence was issued in April 1996. This fleet services a population of 25,090 (Australian Bureau of Statistics, 30.6.95).
- 4.3 There is a co-operative in Alice Springs which operates the only radio network in the town. This private company, Combined Cabs Pty Ltd, trading as Alice Springs Taxis, is operated on behalf of individual taxi licencees. Each licensee is entitled to one share in the company.
- 4.4 It appears that this co-operative is functioning very well and the industry provides a cohesive service to the public. A Board of directors is elected and meets weekly to oversee the day to day operations of the company.
- 4.5 Currently there are 11 leased plates and 21 owner-operated plates. Lessees of taxi plates have no voting rights in Combined Cabs Pty Ltd.
- 4.6 Alice Springs Taxis has a Code of Conduct for drivers and operators, which includes requirements such as having clean, safe and reliable vehicles, driver attitude and appearance, dress standards, network communication, refusal to hire, penalties and fines. Any breaches of the Code of Conduct are discussed at the weekly board of directors meeting to determine if a fine or penalty is to be imposed.
- 4.7 The normal service area within Alice Springs district is comparatively small; a taxi is usually able to collect a passenger within 10 minutes of the call, provided there is no backlog of passengers. Backlogs may occur on Thursdays and Fridays, where response times may be as much as an hour.
- 4.8 The current network system installed is Expertech. It is a semi-automatic dispatch system which requires radio contact between the network headquarters and the taxi driver. Taxi drivers bid for jobs on the two way radio. When the job has been allocated, details including location, dispatch time, and name of hirer are logged on to the computer system. Confirmation of the details then appears on a monitor in the successful taxi. Alice Springs Taxis is a small operator and the directors do not believe that an upgrade to a fully automated network is viable at the moment.
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Darwin

- 4.9 Darwin has three network operators: Darwin Combined Taxis, Taxinet North and Darwin Radio Taxis. The total taxi fleet (according to the industry) consists of 87 cars, of which 9 are multi purpose vehicles. Currently there are 57 leased plates and 30 owner-operated plates. Two taxi licenses were issued during this consultancy of which one was for a multi purpose taxi. These additional licences have been included in the above figures.
- 4.10 The fleet provides service to an estimated population of 79,080 (Australian Bureau of Statistics, 30.6.95) which includes the Palmerston district which has a population of 12,237 (Australian Bureau of Statistics, 30.6.95).
- 4.11 The normal taxi service area is approximately 15 - 20 kilometres radius from the airport. However, if required, taxis do travel to the rural areas as far as Batchelor. The furthest taxi rank from the city is Palmerston, which is approximately 25 kilometres away.
- 4.12 Each network operator in the Darwin district has the following individual characteristics:-

Darwin Combined Taxis

- 4.13 Darwin Combined Taxis fleet consists of five taxis, of which three are leased and two are owner operated. There is one multi purpose taxi vehicle. In addition, this network also offers the services of 18 private hire vehicles.
- 4.14 All drivers and operators are required to adhere to the company's code of conduct.
- 4.15 The network is operated on a two-way radio system. As this system is not computerised, measuring response time is difficult. This network operates a 'general rule of thumb' whereby the customer is encouraged to ring back or call another company if they are not collected within 15 minutes.

Darwin Radio Taxis

- 4.16 Darwin Radio Taxis is a co-operative where members are entitled to vote and receive dividends. However, there is no requirement for a member to hold a taxi licence plate. The fleet consists of 51 cars of which 2 vehicles are multi purpose taxis. Currently there are 23 leased and 28 owner operated plates. At the end of May, an owner-operator is retiring and the plate will be leased.

- 4.17 The network operates an automated Raywood Communication computer dispatch system. Two way radio involvement is limited to discrepancies and safety issues. Response time is measured from the time the call is dispatched to the time the driver registers the hirer. Within the next few years they are intending to upgrade to a global positioning system.
- 4.18 Darwin Radio Taxi's Code of Conduct includes the requirements stipulated by the Department of Transport & Works, but needs to be updated to reflect changes in policies.

Taxinet North

- 4.19 Passenger Transport System Pty Ltd, trading as Taxinet North, commenced operations on 24 July 1995. The company has a fleet of 31 vehicles which are all leased, including 6 multi purpose plates.
- 4.20 Owners of taxi plates are able to purchase shares in the company, but it is not a pre-requisite to participate on the network.
- 4.21 The focus of Taxinet North is customer service. Standards are imposed on the operators and drivers through the company's Code of Conduct.
- 4.22 Taxinet North operates the Raywood Communication computer dispatch system version III. This system is fully computerised and is able to measure response time from when the call is entered onto the computer to when the driver has registered the hirer. This system is a version ahead of Darwin Radio Taxis but it does not include global positioning.



5. TAXI MODELS

- 5.1 There are a number of methods which could be employed to determine the number of taxi licences to be issued. The two methods utilised in Australia, which are worthy of consideration, are 'ratio of taxis per head of population' and 'response times'. These models are detailed below:

Ratio of taxis per head of population

- 5.2 This method is traditionally used in areas where there is limited fluctuation in population. There appears to be an industry benchmark of 1 taxi to 1000 population.
- 5.3 ACT had proposed two formulae for assessing taxi licences based on population and radio bookings. The formulae were:
- 1 taxi per 755 employed persons (based on ABS Figures)
1 taxi per 730 radio bookings over 1 month
- 5.4 The formulae have never been endorsed but the minister considers the formulae as the basis of advice when issuing licences. No formal model has been adopted and currently 15 licences are being issued in the 1996/7 year and an additional 5 in 1996/97 and 1997/98 respectively.

Darwin

- 5.5 Darwin currently has a ratio of 1 taxi to 1100 head of population. However, the population of "Darwin" is not static and other factors should be considered if this model is to be pursued. These are discussed below.
- 5.6 Darwin has a population which fluctuates seasonally due to tourism and is increasing steadily due to a number of factors, including the build up in Defence Force personnel. In the dry season, from May to September, the population of Darwin increases due to overseas and interstate visitors. In the wet season, due to high temperatures and monsoonal rains, tourists visiting Darwin significantly decrease.
- 5.7 The Northern Territory recorded 558, 635 visitors to the Top End in 1995 (Australian Bureau of Statistics, 30.6.95), who stayed for 1,436,794 nights (according to figures supplied recently to us by the Northern Territory Tourist Commission as per attachment 1). The busiest month was July 1994, where



218,601 guest nights were recorded. This reflects an average increase in population of nearly 9% (7,055 extra people per night) for that month.

- 5.8 This calculation is designed to illustrate the magnitude of the effects of tourism. But significantly, this does not take into account the assumption that tourist would have a higher propensity to use taxis than the local population.
- 5.9 Demand for taxis tends to fluctuate. Peak periods generally occur on Friday and Saturday evenings. Peak periods can also be affected by the arrival and departure of planes, and government pay days.

Alice Springs

- 5.10 Alice Springs has a ratio of 1 taxi to 784 head of population. This is considerably lower than the benchmark of 1 taxi to 1000 head of population. The population in Alice Springs also fluctuates through out the year due to tourism.
- 5.11 The number of tourists visiting the central district of the Northern Territory in 1995 was 524,989 (Australian Bureau of Statistics 30.6.95), who stayed for 881,165 nights (according to the Northern Territory Tourist Commission as per attachment 1). The busiest month was October 1994, where 105,193 guest nights were recorded. This reflects an average increase in population of 13.5% (3,393 extra people per night) for that month.
- 5.12 Another factor which has an effect on the demand for taxis is the aboriginal customer base. From discussions with the Board of Directors of Alice Springs Taxis, aboriginal customers have different usage patterns (for example, on pay days they often use a taxi for hours at a time) and peak usage periods which may coincide with transport arrivals and departures.

Conclusion

- 5.13 *We do not favour a model based on a straight calculation of number of taxis per head of population for two main reasons:*
- *It is arbitrary (how do we know that 1,000 is the right number); and*
 - *It does not (and cannot on available information) take into account significant influencing factors such as the effect tourism has on the population, the effects of tourists higher propensity to use taxis, and the effect of aboriginal as compared to non-aboriginal usage patterns.*



Response times

- 5.14 Response time is measured from the time the customer telephone details are recorded by the operator to when the customer is collected by the taxi, or the waiting time at a taxi rank. This model would specify performance targets for the industry. If these were not met, additional licences would be issued until such time as they were met. This would require the co-operation of the industry, and its commitment to achieving agreed performance standards.
- 5.15 This method is currently being implemented in Queensland. In determining whether licences should be issued, the Chief Executive considers response time and other influencing factors, such as the view of users, changes in travel patterns, productivity of the fleet, other types of services available and performance of the fleet. In addition, plates may be transferred between areas in lieu of new plates being issued. These guidelines have been incorporated into the Transport Operations (Passenger Transport) Act 1994 (Qld).
- 5.16 The Queensland government is currently establishing contracts with licensed operators to meet specified response times (or waiting times) where taxis have been booked by telephone. During peak periods, 85% of telephone hirers, including those in wheelchairs, are to be collected within a waiting time of 18 minutes, and 95% within 30 minutes. Peak periods are on Friday evenings between 5 pm and 10 pm.
- 5.17 Acceptable response times during off peak periods are 85% of the telephone customers, including those in wheelchairs, are to be collected within 10 minutes, and 95% within 20 minutes.
- 5.18 The maximum waiting time does not apply to a hirer requesting a specific type of taxi other than the wheelchair accessible taxi.
- 5.19 Due to the difficulty of monitoring response times at taxi ranks, the model has been confined to bookings made by phone.
- 5.20 A licenced plate holder has to be affiliated with a 24 hour operator, but is not required to be a shareholder in the operating company.
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5.21 Response times will be monitored through:

- Complaints;
- Operators submitting quarterly returns;
It is the operators responsibility to ensure they have a system which will collate this data. Operators who are on a manual system are to record and retain data for 1 week in every 6 weeks;
- Mid term review; and
- Audits (where necessary).

In monitoring response times, there is an allowance of two minutes for the taxi waiting for the customer at the pick-up location.

Darwin

5.22 A survey was conducted by McGregor Marketing in 1992 (the report was issued on 17 July 1992) which monitored response times and identified what was an acceptable waiting time. The schedules below detail users opinions on reasonable waiting times after a taxi is booked by telephone or arrives at a taxi rank (including the airport) in the dry and wet seasons.

5.23 Reasonable Waiting Time After a Taxi is Booked by Phone

	Dry		Wet	
	%	Cumulative	%	Cumulative
No more than 2 minutes	1.4	1.4	1.5	1.5
3-5 minutes	16.4	17.8	16.9	18.4
6-10 minutes	42.1	59.9	41.9	60.3
11-15 minutes	25.0	84.9	25.0	85.3
16-20 minutes	12.9	97.8	9.6	94.9
Longer	0.7	98.5	1.5	96.4
Not applicable/booked in advance	1.4	99.9	3.7	100.1

5.24 Reasonable Waiting Time at a Taxi Rank or at the Airport

	Dry		Wet	
	%	Cumulative	%	Cumulative
No waiting time	7.1	7.1	5.5	5.5
Less than 2 minutes	11.9	19.0	10.9	16.4
3-5 minutes	31.0	50.0	34.5	50.9
6-10 minutes	38.1	88.1	29.1	80.0
11-15 minutes	11.9	100.0	16.4	96.4
16-20 minutes	0.0		0.0	96.4
Longer	0.0		3.6	100.0

5.25 This shows that 60% of the population consider up to 10 minutes as a reasonable waiting time after a taxi has been booked by phone, whereas the reasonable waiting time at a taxi rank for 50% of the population is up to 5 minutes.

5.26 The majority of people wishing to use a taxi do so via a phone booking or a taxi rank. This is supported by the McGregor Marketing survey which detailed the method by which taxi users obtained a taxi. This is illustrated below:

5.27	Method of obtaining taxi	Dry %	Wet %
	Phone booking	86.0	67.3
	Taxi rank	19.4	19.8
	Street hail	10.7	3.5
	Airport taxi rank	1.0	7.4

5.28 If the response time model were to be applied, then parameters for response times during peak and non peak periods need to be determined. In addition, systems and guidelines would need to be established along the lines of the Queensland proposal. These are discussed in more detail in Section 6.

Alice Springs

- 5.29 No survey has been conducted in this district of users perceptions of reasonable response times.
- 5.30 We were advised that a response time of 10 minutes is achievable in non peak periods as this represents the maximum time frame to travel between the two furthest points of the town (excluding the airport). However, during peak periods this time frame is not always met.
- 5.31 The maximum waiting time at the airport taxi rank during non peak periods should be 15 minutes, that is, the time it would take a taxi to drive from town to the airport. From the Darwin survey, the users would not consider this reasonable.

Conclusion

- 5.32 *Response times is an objective model which assesses whether the demand for taxis is being met and hence, whether additional taxi licences need to be issued. We therefore favour this model.*
- 5.33 *There are a number of implementation issues which would need to be considered. These are discussed in section 6.*

Other factors

- 5.34 The above two models could be adapted to take into account other factors such as kilometres travelled, jobs per month, revenue earned, vehicle fleet, number of active taxis and shifts, seasonal trends, population growth, peak and non peak periods.
- 5.35 In reality, this would probably mean considering other factors, when determining how many, and the timing of, additional licences to be issued in response to recorded performance below the agreed level.

Other States

- 5.36 There is no uniform model within Australia for determining the appropriate number of taxi licences to be issued. The other states and territory of Australia have adopted different models of issuing taxi licences due to the varying circumstances and market factors.

The following models have been implemented:



5.37	Victoria :	No Model
		Issued 100 licences in 1995 and then 50 special licences for wheelchair accessibility in 1990. No new licences are proposed.
5.38	Queensland	Response times (as discussed).
		Currently implementing this process after conducting surveys and establishing guidelines for peak and non peak response times. Taxi operations are regulated under the Transport Operations (Passenger Transport) Act 1994.
5.39	ACT	No model
		Ratio of taxis per head of population was proposed but never endorsed by the Minister. Currently issuing a predetermined number of licences over the next three years. In addition performance contracts based on Queensland standards will be adopted. Depending on the industry performance, short term non-transferable plates may be issued.
5.40		The original formula considered number of employed persons and radio bookings. Also considered are other influencing factors such as average earnings, CPI, population and domestic tourism figures.
5.41	Tasmania	No model for issuing new licences as there is a perceived over supply of taxis.
5.42	Western Australia	No model - issued 50 Peak Period Taxis licences for Friday and Saturday nights prior to Christmas 1995.
5.43		The number was arbitrarily set to satisfy short term public pressure. Currently establishing a data atlas of the industry on which a model will be derived.
5.44	South Australia	No model - issued 15 licences over a five year period.
5.45		Mid year review is currently in place. As a result a university grant has been provided to conduct research over 12 months and to develop a model.



- 5.46 The above models are on the basis of assessing the number of full and special plates. It is also possible to issue restricted licences such as supplementary, non-transferable or peak period plates. These are discussed in section 8.



6 PREFERRED OPTION

- 6.1 The two options which have been discussed are ratio of taxis per head of population and response times. Each option is discussed below as to whether it is an appropriate model.

Ratio of taxis per head of population

- 6.2 This model is traditionally used in areas where there is limited population fluctuation. Alice Springs and Darwin populations significantly increase in the dry season which has an impact on the demand for taxis.
- 6.3 If this model is to be adopted, issues arise such as how to assess the impact, and what weighting, if any, should be included in the ratio for tourism, peak demands and other influencing factors. To allocate an arbitrary weighting into the ratio without further research would not provide an objective model to assess the appropriate number of taxi licences to be issued.

Response time

- 6.4 This is the preferred option as it is an objective model which assesses the industry's ability to meet customer demand. After considering influencing factors, if customer demand is not being met, then further taxi licences should be issued until the demand can be met.
- 6.5 *We recommend that the Queensland model be adopted.*
- 6.6 Specific issues to address in the adoption of the model are:

Whether the Queensland response times are acceptable in the Territory?

- 6.7 The maximum waiting times in Queensland are:
- | | |
|------------------|--|
| In peak periods | 85% of hirers wait no more than 18 minutes
95% of hirers wait no more than 30 minutes |
| In other periods | 85% of hirers wait no more than 10 minutes
95% of hirers wait no more than 20 minutes |

6.8 The latest available survey data conducted in the Territory was in July 1992 which reflected that a reasonable waiting time after a taxi is booked by phone is 6 - 10 minutes for 60% of users and up to 15 minutes for 85% of users. It may be appropriate to update the 1992 data to assess users demands in 1996.

6.9 It would be unlikely that users perception of a reasonable waiting time would have significantly changed from 1992. If the 1992 survey data was accepted, then parameters for a reasonable waiting time should be up to 15 minutes for 85% of users and up to 20 minutes for 95% of users.

Whether response times are to include telephone bookings and taxi ranks?

6.10 Measuring waiting times from taxi ranks is very difficult and time consuming. It would probably be necessary to conduct surveys at regular intervals. As the information is not readily available to the network operators, the responsibility may fall to the Government.

6.11 In Queensland, recording information on response times from telephone bookings is the responsibility of the network operator. This would probably be the best approach in the Territory.

6.12 In implementing this model in the short term, restricting response times to telephone bookings is the most expedient method. In due course, the model could be adapted to incorporate waiting time at ranks.

Whether the Queensland parameters for meeting the response time in peak periods and non peak periods are acceptable in the Territory?

6.13 The 1992 survey did not identify whether users had different expectations of an acceptable waiting time during peak and non peak periods. The maximum acceptable waiting time for 98% of telephone users was up to 20 minutes.

6.14 We believe it is unlikely that users would have different expectations during peak and non peak times but may have come accustomed to delays during peak periods. On this premise there should only be one set of performance standards in the model which will apply at all times.

6.15 It would be sensible to design an updated questionnaire for the revised survey to include feedback on this issue.



Identify peak periods.

- 6.16 Industry data should be reviewed to verify days and times when there is peak demand for taxis. Peak periods in Darwin may be different to Alice Springs district.
- 6.17 If the standard response times are not being met in peak periods only, then it may be necessary to determine if additional plates are to be issued or if peak period / supplementary plates are to be issued.

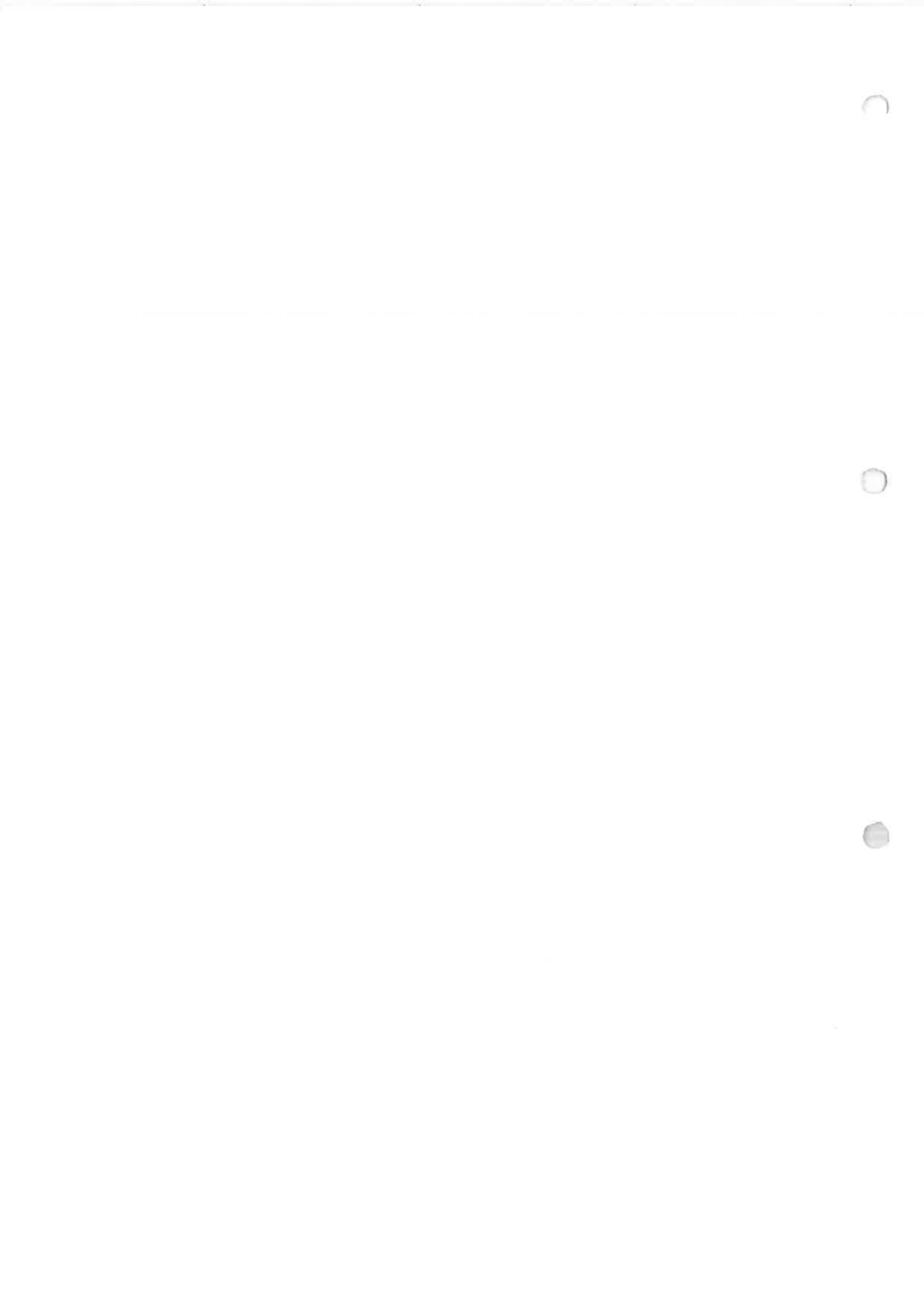
Should peak period plates or supplementary plates be issued during peak periods ? How should they be controlled if issued?

- 6.18 There are currently no such plates in Queensland.
- 6.19 Additional plates could be issued during peak periods, for example in the dry season, Christmas, New Year, Easter, Friday and Saturday nights. Some representatives of the taxi industry believe this would have an adverse effect on drivers who are required to work during the off peak periods to be rostered on during peak periods. If income is being shared with more drivers then the earnings per driver will decrease.

Definition of response time.

- 6.20 In Queensland, the maximum waiting time means:
- (i) for a person who requests a taxi 'as soon as possible' by phone:
the time elapsed from the time the person ends the phone conversation with the Taxi Booking service to the time when the taxi driver notifies the arrival of the taxi at the place requested by the hirer.
- (ii) for a person who requests a taxi at a specific time:
the time elapsed from the time specified to the time when the taxi driver notifies the arrival of the taxi at the place requested by the hirer.

The definition appears to adequately cover the waiting time for a hirer.



Method of monitoring the taxi industry's actual response times to acceptable response times.

6.21 In Queensland, it is the network operators responsibility to ensure the performance targets are met. The network is to record the information over a three month period and submit quarterly returns.

6.22 Taxinet North is the only operator in the Northern Territory which would currently be able to provide this information from its computerised system. The other operators may need to update their communications systems or manually record the information.

Assess the impact of influencing factors such as the views of users, changes in travel patterns, productivity, other types of services available and performance of the fleet.

6.23 We suggest that reviews are conducted on a regular basis to assess how the above factors effect the demand and supply of taxis. Some of these issues may have an impact on whether an additional taxi licence should be issued.

Enforcement of model by legislation and/or establishing contracts with licenced operators.

6.24 The Queensland government has issued the Transport Operations (Passenger Transport) Act 1994 and Regulations which are binding on the taxi industry. In addition, contracts have been entered into with network operators to ensure minimum service levels are maintained.

6.25 It may be necessary for the NT Government to ensure compliance and adherence to stipulated directions and regulations.

6.26 We further suggest that the onus of achieving the response times be placed on the industry. The Government's role would be to monitor the industry to ascertain if it is performing as agreed. The Government would assess the industry's performance on the expectation that the number of taxi plates issued are being operated efficiently to achieve better than or equal to the maximum response times set. We recommend the Government consult with the industry on any non-performance issues. Whilst response time is the key measure, other performance measures could also be incorporated.



How this will affect other districts apart from Alice Springs and Darwin ?

- 6.27 This discussion has been limited to the Alice Springs and Darwin districts. Standard response times in other areas such as Gove, Tennant Creek and Katherine may vary significantly. Therefore, performance standards for these regions would need to be developed.
- 6.28 Taxinet North computerised systems are used in Gove and Katherine. This means that response times in these regions can be measured from the time the customer telephone details are recorded by the operator to when the customer is collected by the taxi. It would be necessary to assess the systems operating in Tennant Creek.



7 OTHER SPECIFIC TERMS OF REFERENCE

7.1 **The impact of leasing on the viability of the Darwin taxi district including licensees, lessees and drivers.**

Background

7.2 In the Darwin taxi fleet there are 87 taxi plates of which 57 are leased. Taxinet North, the network operator, leases 31 taxi plates.

7.3 It is the lessees responsibility to meet the lease payment and all other associated costs incurred with operating the taxi plate.

7.4 The cost of leasing a plate ranges from \$400 to \$500 per week. Licenced owners who obtain plates for investment are increasing the lease rates as the price of purchasing a plate increases to ensure they receive an adequate return on their investment. Market forces set the prices for both the cost of plates and lease rates. At this point there is still a demand for taxi plates and the subsequent leasing of such plates. If there were surplus plates, then the purchase price and lease costs are likely to reduce as the returns on the investment will be considerably lower.

7.5 The likely financial effect of leasing has been to force up the price of taxi plates due to the level of demand for plates. This in turn, has put pressure on the operators through high rates.

7.6 Another potential effect of leasing, suggested to us, is that it may increase the efficiency of service to the customer. This is on the basis that lessees are generally trying to maximise their earnings by operating 24 hour shifts and by providing a high level of customer service. However, we believe that the level of customer service provided is part of the business ethic and stems from the business objectives rather than having a direct relationship to whether the taxi plate is leased or financed through direct purchase.

7.7 In the Darwin area, a network operator, Taxinet North, has chosen to conduct its operations by maintaining a fleet of leased vehicles. This operator is focused on maximising returns and this is obtained by efficient hiring hours and providing quality customer service. Due to economies of scale, Taxinet North has a competitive advantage over single leased car operations. The main aim of the

lessee is to maximise returns which differs from a single or small owner operator whose concerns are not just maximising returns but also ensuring capital growth. Taxinet North operations stem from their ability to lease taxi plates.

7.8 Other estimated costs associated with operating a taxi include:

Costs	Amount per Month \$
Base fees	\$412 to \$628
Maintenance	\$600 to \$830
Insurance	\$250
Registration	\$60

7.9 The cost of fuel and drivers wages will vary from taxi to taxi depending on the kilometres travelled, jobs completed and formula used.

7.10 It is a business decision by the lessee to determine whether a leased plate at the current market prices and running costs is viable. Representatives of the taxi industry believe that the return is small for a 24-hour operation, and the main factors affecting the return are the high lease costs and increased competition from other forms of urban transport. However, leasing appears to be a viable option for Taxinet North operations.

7.11 Driver earnings will vary depending on which 12-hour shift and which days of the week they are working. A driver shares half of the fare earnings after fuel has been deducted from the gross hiring fees. Generally, if drivers want to work during peak periods they are also required to work the quiet shifts which are on Monday and Tuesday nights. This is to ensure taxis are operating and available to the public during off-peak periods.

7.12 Industry representatives believe that drivers earnings have decreased over the last few years due to the increased competition from other forms of urban transport such as mini-buses and private hire cars. It appears that competition has had a greater effect on the viability of drivers earnings than leasing of plates.

7.13 We note that, paradoxically, in the light of industry claims, the values being tendered for taxi plates has steadily risen despite the increase of competition from other forms of transport.

Conclusion

7.14 The impact of allowing leasing of taxi plates is to increase the demand for plates, as investors can purchase the plates. Where there is a demand for plates the



market value will be determined by the price which a willing and able buyer is prepared to pay. It appears in the current market, the tendering bids have indicated an increase in the value of taxi plates.

- 7.15 If the government were to restrict the purchase of taxi plates to owner-operators only, this is likely to reduce the demand for plates which would, in theory, reduce the purchase price and level of customer service.
- 7.16 **Whether two or more licences (one being a special licence to provide a priority service to disable persons) would have a devastating impact on the Alice Springs district.**
- 7.17 As advised by the Board of Directors, the introduction of an additional licence would decrease earnings by \$7,700 per year per car (this figure was not verified by Ernst & Young). This is the expected impact of the special taxi licence issued during April. If another licence was issued, then earnings may be reduced by \$15,400 per year per taxi. If the taxi profit margins are \$15,400 or lower than the operations would not be viable.
- 7.18 “Devastating” means “overwhelming”. The current fleet has 31 licences. If two additional licences were issued the fleet size would increase to 33. The industry has advised this would mean a \$15,400 decrease in revenue for each of the current 31 licences if there is no extra demand from normal growth or stimulated by the extra licences. It has not supplied any figures to allow the implications on viability of existing operators to be assessed.
- 7.19 On the basis two extra licences would reduce average revenue by 2/33 if incomes were static, this would present a 6.1% decrease per plate. After allowing for demand growth and improved efficiency we do not believe that the issue of two further licences would have an “overwhelming” effect on the industry.



8 OTHER ISSUES

- 8.1 It was clear from our discussions with industry representatives that competition from other forms of transport which operate in a deregulated environment was a major concern. This, and other relevant issues, are discussed below.

Private Hire Cars

- 8.2 The taxi industry is regulated in respect to number of licences issued and fares charged. A taxi licence plate gives the holder the right to hire from a rank and network operator. The rights attached to the licence and the anticipated returns set the market value or tendering price for a taxi plate
- 8.3 A private hire plate enables the holder to hire from stipulated ranks (being the casino and airport) and from a single cell network operator. A private hire vehicle is different to a taxi in that the private hire vehicle is to return to base before re-hiring, fares are not regulated and pre-arranged bookings are required. However, there are limited resources employed to ensure that these restrictions are being adhered to. The cost of a private hire plate is \$10,000, which is very low in comparison to the recent tendering prices of a taxi plate (around \$220,000 per plate in Darwin).
- 8.4 The taxi industry is in direct competition with private hire cars who operate in a deregulated environment. Taxi plate owners believe this is unreasonable, given the licence regulations and entry costs into their industry.
- 8.5 In addition, a Darwin network operator offers the services of taxis and private hire vehicles. Comments were expressed that in the absence of a taxi not being available, the operators offer a private hire car for the same fare as a taxi, or at a quoted price.

Mini Buses

- 8.6 Mini buses also operate in a deregulated environment in respect of fares charged and the number of licences. The licence fee is \$500 for a three year period. An article was published in the Sunday Territorian on May 19, 1996 where industry leaders expressed concern that some mini bus operators are touting for business, illegally using taxi ranks and operating mini buses like taxis.
- 8.7 Certain industry representatives provided anecdotal advice that private hire cars and mini buses have had an adverse effect on industry standards. They believe that unfair competition has effected the profitability of the taxi industry.



Palmerston

- 8.8 Palmerston is a new urban development area approximately 25 kilometres from Darwin. Due to the distance from the major service area, taxi drivers generally do not favour waiting for fares in this area. As a result, this area may have been underserved by the taxi industry. Mini bus operators capitalised on this opportunity and provided transport services. Representatives from the taxi industry believe that mini buses hold a large share of the Palmerston market and are operating from the Palmerston taxi rank.
- 8.9 Taxi industry representatives also felt that, due to inadequate supervision of mini buses, the buses are competing and operating with some of the privileges which should only be associated with taxi licences, for an considerably lower entry fee of \$500.
- 8.10 It was further proposed by representatives from the taxi industry that the Palmerston area be established as a separate operating licenced area for taxis. If this were the case, a Palmerston taxi could drop off in Darwin area but could not collect fares from Darwin. This would be the reverse for Darwin licenced plates. The Palmerston market would not be easy to enter due to the prominence of mini bus operators.
- 8.11 This view was not unanimous throughout the industry and other representatives believed that this issue would resolve itself; as the Palmerston district grows, it will create a demand for a taxi service.

Additional Plates

- 8.12 Supplementary or Peak Period plates could be issued during peak periods when the demand is higher than the service being provided. Issues arise as to who will control and determine when the plates are to be used. There is a concern that the revenue earned during peak periods which subsidises earnings during slow periods, would decrease making it a less attractive for a driver/operator to work during those shifts.
- 8.13 Supplementary plates for operation during peak periods only, will reduce the pressure for an increase in overall taxi plate numbers. Therefore, peak plates will reduce the number of taxis that would otherwise be available during non-peak times.



8.14 This is another area where Alice Springs is very different to Darwin. There is one co-operative in Alice Springs which could operate such licences. The industry in Darwin is not as cohesive with three major operators.

8.15 Another alternative is issuing non transferable plates which have restrictions on who and when they can be used. The restrictions attached to the plate would depend on the reason for issuing such a plate. There could be a number of restrictions attached such as specified times of operations, or that the plate is non-transferable for a number of years.

