



**The Impact of Deregulation on the Northern Territory  
Commercial Passenger Vehicle Industry**

**by**

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## **Executive Summary**

Following a review in 1997/98 the Northern Territory (NT) Government deregulated entry to the taxi, minibus and hire car industry in the NT from 1 January 1999. This deregulation was accompanied by a buy-back of taxi plates, with the \$25m cost of this scheme to be funded by the introduction of licence fees (\$16,000 per annum for taxis in Darwin). As a result of this deregulation the number of taxis increased dramatically with a resulting significant negative impact on driver earnings and service quality.

The taxi industry found that competition by taxi owners and operators to find drivers led to a lowering of standards. Prior to deregulation the majority of complaints related to the length of time it took for taxis to arrive for fares. Following deregulation the overwhelming majority of complaints related to driver standards, safety and driver incomes.

A change of Government in August 2001 resulted in the new Government acknowledging that deregulation had a detrimental effect on the quality of service and had reduced industry incomes as well as causing ongoing disputes between sectors of the industry. This led to a freeze on the issuing of licences in November 2001 (initially for 6 months, later extended until 1 January 2003), as well as a review of the commercial passenger vehicle industry.

One of the outcomes of the review has been a requirement to create a Commercial Passenger Vehicle (CPV) Board to provide formal advice to the Minister on all policy and regulatory matters pertaining to the industry, and to administer regulations in the industry. The CPV Board must report annually to the Minister on the standards of service provided by the industry including certain response times and adjustments that may be needed to ensure the provision of sustainable high quality services.

It is notable that in the Discussion Paper it was proposed that all taxi and minibus licenced vehicles would be required to be on the road for a minimum of 100 hours a week. This requirement was not included in the final Reform Package. Undoubtedly the one reform which has got the industry 'up in arms' is that to lift the temporary cap on taxi, minibus and limousine licences from 1 January 2003. The number of CPV licences could again increase and make life even more difficult for the whole industry and particularly for drivers who are struggling to make a living.

Prior to the NT election there was a commitment from Labor to maintain taxi numbers to a ratio of one cab to 900 people. This corresponds to around 100 cabs in Darwin. Following the release of the Government's Reform Package on 16 October 2002, writing in the *Northern Territory News* on 23 October 2002 a journalist stated,

'at the moment operating in Darwin there are 136 taxis, 22 hire cars and 45 minibuses, so is it any wonder the industry is nervous?

Mind you, I think you would have to have rocks in your head if you wanted to pay \$16,000 for a licence to own a cab and then work your guts out for what you know will bring you home a take-home wage of little more than the dole.'

The Reform Package has introduced better driver training, with tougher entry standards requiring new drivers to have held a licence for 5 years before they can obtain a licence to drive a taxi, minibus or limousine.

An increase in driver training and the standard of service, to be managed by the CPV Board, should result in an improved quality of service. It is not clear where the supply of drivers will come from however, given current driver incomes together with the lifting of the temporary freeze on the issuing of CPV licences on 1 January 2003. An implication of the Reform Package is that while drivers have to be better trained and will have to satisfy regulations and a Code of Conduct to be overseen by the CPV Board, there is no guarantee that their earnings are going to improve. Indeed the indications are that it will be increasingly more difficult to find taxi drivers.

In its 2001 assessment of the NT taxi and hire car industries, the National Competition Council (NCC) concluded that the NT's actions complied with obligations under Clause 5 of the Competition Principles Agreement, the only state or territory to do so. In its 2002 assessment however, the NCC notes that the NT's Discussion Paper proposed a number of policy directions that suggested a potential for the introduction of arrangements that may restrict competition. These include the transfer of key regulatory powers to the CPV Board (which, as the Reform Package indicates, has happened). As a result the NCC is to reconsider review and reform activity by the NT in the 2003 National Competition Policy assessment.

The NT experience has been a classic example of the collision of economic theory and empirical reality. By deregulating entry to the commercial passenger vehicle market economic theory indicates that supply and demand will move to an equilibrium. Unfortunately, as the NT experience has shown, this has not happened.

While the supply of taxi licences has increased significantly since deregulation, a proportional demand for such services has not eventuated. This has naturally led to a significant reduction in service standards and driver income. The CPV Board is required to introduce and oversee the quality of driver training and service standards; this will not however impact on driver income. Given the Government's Reform Package is only now being implemented, it is too early to judge the long term effects of the deregulation, and partial reregulation of the NT CVP industry. Initial reaction to the package is, however summed up in the quote in the *Northern Territory News* of 23 October 2002 (referred to above).

## **PART 1 - Background**

### **1. Introduction.**

In April 1995 the Commonwealth, State and Territory Governments agreed on a plan to promote competition in Australia. What resulted was the National Competition Policy (NCP) which is based on three agreements, the Competition Principles Agreement, the Conduct Code Agreement and the Implementation Agreement.

The National Competition Council (NCC) was established in November 1995 to act as a policy advisory body to oversee the implementation of the NCP. It is notable that the NCC does not set reform agendas or implement reforms, these are the responsibilities of the various governments.

The third of the agreements, the Implementation Agreement

- sets out the reform obligations in a number of areas including transport, which encompasses the taxi industry, and
- provides for payments by the Commonwealth to the States and Territories when they 'achieve satisfactory progress with the implementation of the National Competition Policy and related reforms'.

With respect to the taxi industry the NCC has stated:

'Australia's taxi industry has been heavily regulated for many years.

Generally two types of regulation exist:

- (1) the regulation of standards covering matters such as vehicle age, roadworthiness, driver qualifications, with an emphasis on safety; and
- (2) the regulation of entry to the taxi industry via controls on the number of new taxi licences issued. Fares are also regulated as a corollary of the restrictions on new taxi licences.

Taxi industry regulation, particularly the restrictions on new taxi licences, is being considered under the National Competition Policy (NCP) legislation review process. This involves governments reviewing and, where appropriate, reforming legislation that restricts competition. Governments may, however, retain restrictions if they show that the restriction is in the public interest.'

As a result of the Implementation Agreement providing for payments by the Commonwealth to the states and territories when they achieved satisfactory progress with the implementation of the NCP and related reforms, all states and territories undertook a review of their respective taxi industries.

## 2. The Impact of Deregulation – International Experiences

There has been an enormous literature develop around the deregulation of the taxi industry, both within Australia and overseas. While many of the studies have been written by authors with vested interests to either support or oppose deregulation, one of the most balanced and detailed recent international studies on taxi deregulation is that by Kang<sup>1</sup> who undertook an international comparison of the impact of taxi deregulation.

The independence of Kang's study is evidenced by the fact that it was conducted as a research project as part of a post-graduate degree at the Institute of Transport Studies at the University of Leeds in the UK. His study had two objectives, namely

- to examine the background and practical procedure of deregulation as well as regulation on the taxi industry in several countries where deregulation has occurred, and
- to verify various theories and arguments for and against taxi deregulation by comparing and analysing the results of case studies.

By doing this, his aim was to 'find the most reasonable direction of regulation or deregulation measures in the industry'.

Kang's case studies included a consideration of the taxi industry in the USA, United Kingdom, Sweden, New Zealand, Japan, South Korea, Australia (South Australia), Ireland and the Netherlands. His summarises his conclusions as follows:

'The deregulatory measures adopted varied in each country are based on the different inherent conditions. The results also appeared differently. As a whole, however, the effects of taxi deregulation were not so beneficial to consumers due to increased fares and deteriorated service quality. In addition, the returns to operators as well as drivers also decreased, and there was no significant evidence of innovation in the industry. On the other hand, the structure of the industry became more fragmentary with increased single operators and taxi leasing.

Therefore, this study concludes that market entry should be regulated somehow, and the level of fares also need to be controlled. In addition, more stringent regulations are necessary in order to ensure high quality and improved safety in taxi services. Nevertheless, it does not mean that every regulation is desirable in every condition, but some regulatory reform is needed based on the inherent conditions of the taxi industry in a city or a country.'

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<sup>1</sup> Kang, C-H. (1998): Taxi Deregulation: International Comparison. Dissertation submitted as part fulfilment of MSc(Eng) Transport and Engineering degree. University of Leeds. ([www.taxi-l.org/kang0898.htm](http://www.taxi-l.org/kang0898.htm)).

In support of entry regulation, Kang argues it is needed to keep balance between supply and demand. Without it the number of taxis may increase to lead to excessive competition in the industry, including demand for rank space which may result in traffic congestion and, as a result, economic inefficiency. This has certainly been experienced in countries like New Zealand and Sweden at airports and train stations where regulations have had to be introduced to control the services being offered by the taxi industry. In the case of Stockholm in Sweden, in October 1997 the City Council determined that only the three biggest taxi companies would be allowed to pick up at Stockholm Central train station. This situation led to rioting by the 'independent' taxi drivers. The station now employs inspectors to ensure that only the approved taxi companies pick up at the station.

The 'collision' of economic theory and empirical reality was considered by Dempsey<sup>2</sup> who examined the 'revolving door' of taxi regulation, deregulation and reregulation by means of a case study of deregulation, either fully or in part, of the taxi industry in 21 US cities. This research was also conducted as part of an academic research project and as such was not influenced by the author having a vested interest in the outcome of the study.

Following his review, Dempsey concluded:

'The fundamental question is not whether taxis should be regulated, but how they might best be regulated. .... In the final analysis, the suitability of taxi cab service and pricing is a peculiarly local issue, best tailored by local Governments based on their unique populations, special densities, road congestion, air pollution, and airport and hotel traffic. ....In this area, the state and local Government should be left alone to foster the unique local public and private transportation system that suits them best.'

The findings of these two independent overseas studies are self explanatory and are of interest, particularly given the direction being pursued by the NCC with respect to the implementation of policies as applied to individual state and territory taxi and hire car industries. In its latest assessment report (released on 6 December 2002) the NCC<sup>3</sup> gives a brief overview of some international experiences relating to the deregulation of the taxi industry (though it doesn't reference either Kang or Dempsey's research).

### **3. The State/Territory Reviews and their Outcomes**

In its June 2001 assessment report, in Chapter 11 the NCC reviewed the situation at that time with respect to each state and territory's progress relating to their taxi industry reviews (see [www.ncc.gov.au](http://www.ncc.gov.au) ).

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<sup>2</sup> Dempsey, P S (1996): Taxi Industry Regulation, Deregulation and Reregulation: The Paradox of Market Failure. *Transportation Law Journal*. 24, 1 (see <http://www.taxi-l.org/revdoor.htm> for a review of this paper).

<sup>3</sup> National Competition Council (2002): Assessment of Governments' Progress in Implementing the National Competition Policy and Related Matters. Chapter 5 (see [www.ncc.gov.au](http://www.ncc.gov.au) ).

Individual states/territories have adopted their own review approach. Victoria, South Australia, the ACT and Western Australia have had consultants to conduct their reviews; New South Wales, Queensland and the Northern Territory (NT) have had representatives of government agencies undertake their reviews, while Tasmania has adopted a combination of the two. As the NCC has noted in the earlier 2001 report, reviews undertaken by government agencies ‘have been either at arms length from the agency responsible for taxi regulation or, where the regulator was included, other agencies were also involved’. In every case public and stakeholder input was sought. The NCC’s summary of its findings with respect to the review processes and the implementation of their recommendations, as of August 2002, appear in Table 1.

**Table 1**

<b>State/Territory</b>	<b>Restrictions</b>	<b>Review Outcomes</b>	<b>Reform Activity</b>
New South Wales	Limitations on numbers of taxi and hire hire car licences.	Review completed in November 1999. Recommended: <ul style="list-style-type: none"> <li>• annual 5% increase in licences (limited term, non-transferrable) during 2000-2005;</li> <li>• deregulation of hire cars to increase competition;</li> <li>• further review in 2003;</li> <li>• continuing fare regulation.</li> </ul>	The Government supports ‘transitional’ recommendation for 5 per cent annual increase in licences but has not fully implemented it. The Government released 180 new licences (limited term, non-transferrable). Partial deregulation of hire cars via a substantial reduction in annual hire car licence fee and relaxation of vehicle standards.
Victoria	Limitations on numbers of taxi and hire hire car licences.	Review was released in October 2000. It recommended: <ul style="list-style-type: none"> <li>• removal of entry restrictions for taxis and hire cars;</li> <li>• buy-back of existing licences, to be funded by annual fees on operators;</li> <li>• continuing fare regulation pending development of a competitive market; and</li> <li>• improvement in the quality of fare regulation via transfer of responsibility to an independent economic regulator.</li> </ul>	The Government announced reforms in May 2002, including annual issue of 100 new ‘peak period’ licences for 12 years, additional licences in years 7-12 via conversion of peak licences to full licences, and limited reforms of hire car regulation.

<b>State/Territory</b>	<b>Restrictions</b>	<b>Review Outcomes</b>	<b>Reform Activity</b>
Queensland	Limitation on numbers of taxi and hire car licences.	Report released in September 2000. It recommended: <ul style="list-style-type: none"> <li>• revamping of regulatory structure around performance agreements with booking companies; and</li> <li>• allowing booking companies a measure of control over licence numbers.</li> </ul>	The Government has asked the Department of Transport to develop policy measures. Indications are that Queensland's approach will reflect review recommendations.
Western Australia	Limitation on the number of taxi licences.	Review completed in August 1999. It recommended: <ul style="list-style-type: none"> <li>• removal of licence supply restrictions;</li> <li>• use of substantial training requirements to regulate entry;</li> <li>• similar requirements for hire car industry;</li> <li>• full compensation to existing plate owners;</li> <li>• issue of licences at a maximum rate of 20% per year on a 'first come first served' basis.</li> </ul>	The Government does not support 'wholesale deregulation', but recognises there is a public interest case for a buy-back. The Government has released 60 new licences, some with restrictive conditions.
South Australia	Limitation on numbers of taxi licences (free entry to hire car market).	Report completed in November 1999. It recommended: <ul style="list-style-type: none"> <li>• retention of existing restrictions (the Act limits the number of new general taxi licences that the Passenger Transport Board can issue in a particular year to 50, although none have been issued); and</li> <li>• reliance on competition from hire cars, with removal of current restrictions.</li> </ul>	The Government is yet to announce its response to the review.
Tasmania	Limitation on numbers of taxi and hire car licences.	Report completed in April 2000. It recommended: <ul style="list-style-type: none"> <li>• annual issue of new licences up to 5 per cent by tender, subject to reserve price, or 10 per cent if tender price exceeds valuations by 10 per cent;</li> <li>• retention of maximum fare for rank/hail market only;</li> <li>• free entry to hire car industry subject to \$5,000 licence fee.</li> </ul>	The Government is yet to announce its response to the review

State/Territory	Restrictions	Review Outcomes	Reform Activity
ACT	Limitation on numbers of taxi and hire car licences.	<p>NCP review completed in March 2000. On licence quotas it recommended:</p> <ul style="list-style-type: none"> <li>• Immediate removal of restrictions on supply of taxi and hire car licences;</li> <li>• Full compensation to licence holders via a licence buy-back, with compensation to be funded via consolidated revenue or a long-term licence fee regime.</li> </ul> <p>The ICRC released its report in June 2002. It endorses removal of supply restrictions and proposes three options for compensation (it does not recommend any particular option).</p>	<p>In December 2000, the Government announced it would be releasing 10 new Wheelchair Accessible Taxi licences. The Government has agreed to allow 16 New South Wales Taxis in the ACT. *The Government is expected to announce its decisions in response to the ICRC report by the end of 2002.</p>
Northern Territory	Limitation on numbers of taxi and hire car licences.	<p>Review completed in 1998. It recommended:</p> <ul style="list-style-type: none"> <li>• Elimination of restrictions on licence numbers;</li> <li>• Compensation for the full market value of licences via a licence buy-back; and</li> <li>• Substantial licence fees to recoup compensation costs.</li> </ul>	<p>The Government removed supply restrictions in January 1999, and implemented a buy-back. It imposed a six-month moratorium on the issue of new licences in November 2001 (this moratorium was later extended to December 2002). **The Government issued a discussion paper containing new regulatory proposals in May 2002.</p>

\*The ACT Government issued a reform package in response to the Independent Competition and Regulatory Commission (ICRC) Review findings in the case of taxis and hire cars on 10 December 2002. This package indicates that taxi licences will continue to be perpetual and tradable with five per cent more perpetual licences to be issued annually. The licences will be sold at auction and a reserve set at 90 per cent of market value. If the average price at auction is more than 95 per cent of the market value, then a further 5 per cent release of licences will be triggered, with the maximum number of licences issued in any one year set at 10 per cent of the fleet. (A

similar scheme is to operate for hire cars). Net revenue from the sale of the licences (after allowing for costs associated with the reforms) will be returned to current licence owners for at least two years and possibly five years. Other issues including hire cars, wheelchair accessible taxis and cross border arrangements can be seen at the web site: [www.urbanservices.act.gov.au/ns4/transportparking/taxiwhatsnew.html](http://www.urbanservices.act.gov.au/ns4/transportparking/taxiwhatsnew.html)

\*\*The NCC assessment (in June 2001) concluded that all states and the ACT would have their progress assessed during 2002. The only state/territory which the NCC judged to have met their NCP obligations (in June 2001) was the Northern Territory (NT). It is clear that this conclusion was reached as a result of the NT being the only state/territory to deregulate entry into the taxi industry. The recent assessment (in August 2002) indicated that the NCC would finalise the assessments for all states and territories in 2003. It is of interest to note that in the 2001 assessment the NT was judged to have met its NCP obligations. With the changes which have taken place in the NT since then however, and which will be discussed later in this report, the NCC regards the NT Government's Discussion Paper (May 2002) proposals as having the potential to restrict competition. This, together with the NT decision to extend the cap on taxi, hire car and minibus licences to 1 January 2003, has resulted in the NCC changing its overall assessment in the case of the NT and it is now to monitor outcomes from the current review process. This Discussion Paper, and its associated outcomes, will be fully analysed in the latter part of this report.

In its Annual Report for 2001-2002 (released on 22 November 2002) the NCC, when reviewing the year, stated

‘All governments are reviewing taxi and hire car licensing. The major competition issue is the strict regulation of licence numbers, which restricts the supply of taxi and hire car services. There has been limited (in some jurisdictions zero) release of new licences in recent years. The evidence from NCP reviews of taxi licensing indicates that these supply restrictions are not in the public interest.

Governments have begun to tackle supply restrictions. The Northern Territory removed restrictions in 1999, but subsequently imposed (in November 2001) a 12 month cap on licence numbers. Victoria has proposed a reform package, which will gradually increase the number of available taxis. Other governments are examining and or implementing limited releases of new licences and/or removal of restrictions on hire car licensing.’

It is interesting that the NCC, as evidenced in the quote above, believes that the state/territory reviews indicate that the supply restrictions, in the case of the taxi and hire car industries, are not in the public interest. As this review will show the removal of supply restrictions in the NT resulted in economic inefficiency(oversupply of taxis and reductions in driver incomes and social unrest (through poor standards and service) to such a degree that the incoming Labor Government felt that it was in the public interest to address the severe problems which ‘came after the complete failure of the previous Government's deregulation’ (NT Government media release 27 May 2002).

In his address to the Australian Taxi Industry Association Annual Conference in May 2002, Senator R Boswell (Parliamentary Secretary to the Minister for Transport and Regional Services) stated:

‘Deregulation is a state issue.

All states have now done their reviews and come up with a varying degree of recommendations – from deregulation and a buy back scheme in the Northern Territory which has already been implemented – to Queensland – where the State Government has virtually recommended the status quo.

Under National Competition Policy what is required from State Governments is that they review all regulated industries for anti competitive practices taking into consideration the factors of the public interest test.

If the State Governments after conducting their review decide that an industry such as the taxi industry should be left as a regulated industry then the states have carried out their obligation to conduct their review – they have made their decision in consideration of the transport requirements of their own particular state.

My view is that under National Competition Policy as agreed between the states and the Commonwealth – that if these reviews have been completed and a decision has been made by the particular state government – under its partnership agreement – then the state has honoured its agreement to review their state regulated industry.

Therefore if a review decision has been made by the State Government to not deregulate – and taking into account all the agreed “public interest” parameters of National Competition Policy such as the economic and regional impacts then that is their decision.

And the Federal Government will not withhold payments. It is the State Government that is responsible for and knows its industry on a practical and state wide basis.’

Kang, Dempsey and Senator Boswell have all identified the development and management of the taxi and hire car industries as a local issue best suited to local conditions and as Dempsey states ‘state and local Government should be left alone to foster the unique local public and private transport system that suits them best’.

The NCC’s 2002 assessment of the implementation of the NCC competition policy and related reforms released on 6 December 2002, states:

‘While most review reports have argued for free entry, governments are unlikely to achieve this in the short run. It may be useful, therefore, for governments to set an alternative, transitional objective to ensure reform processes lead to continuing improvements in community welfare over time.’

It is notable that this has been the first indication that the NCC is prepared to consider more of a 'softly, softly' approach to the implementation of free entry into the taxi and hire car industries.

This report will review the implementation of the deregulation of the taxi industry in the NT, its impact and what has evolved since deregulation. The NT is the only state/territory to have gone through the deregulation process and so is the only jurisdiction in Australia where the deregulation process can be assessed to determine its success, or otherwise, and whether or not the process has been in the public interest.

## **PART 2 – The Northern Territory**

### **4. The Deregulation Process**

During 1997/98 the NT Government conducted a review of the commercial passenger vehicle industry. This review included taxis, hire cars, minibuses and multiple purpose (wheelchair accessible) taxis. Following this review the Government enacted the *Commercial Passenger (Road) Transport Amendment Act* which came into effect on 10 November 1999. This legislation deregulated entry into the commercial passenger vehicle industry.

During debate on the Bill<sup>4</sup> in the NT Parliament in October 1998, the Government re-affirmed its decision for a major reform of the commercial transport passenger industry.

In 1997/98 taxi licences in Darwin were costing around \$230,000 and were ‘being used mostly as an investment by owners with little interest in the industry’ (Mr Coulter). Prior to the introduction of the legislation, licences were being leased for up to \$500 per week in the Darwin area. 80% of the Darwin taxi licence owners did not operate taxis, while in Alice Springs the figure was 50%.

There were complaints that private hire cars were having a significant impact on the taxis’ business, particularly at the airports, and casinos. In addition minibuses were making significant inroads into the taxi arena while their licence costs were minimal in comparison. It was also difficult to ensure that there were sufficient taxis, at all times, to meet demand from both the local public and tourists. Even though the government could tender out licences whenever it wanted, the issuing of new licences met with opposition from existing licence holders.

The government engaged a consultant to conduct a review and to make recommendations, after consultations with industry stakeholders, on how a more level playing field could be achieved. The resulting Discussion Paper and recommendations led to wide discussion and comment and resulted in a large number of submissions. The principle objection raised was to the proposal to pay out taxi licences over time. As a result, the government decided to compensate taxi licence owners in one lump sum, rather than over time.

The principal amendments in the Bill allowed the Government:

- to buy back taxi licences and reissue them on an annual basis;
- to regulate minibus operations with annual licences and
- to change private hire car licences to a low cost annual licence with a one-off entry fee for new operators.

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<sup>4</sup> A significant amount of the information in this section has been extracted from the second reading speech by Mr Coulter, the Minister for Transport and Infrastructure Development at that time.

The new Part IV of the Bill, which related to taxis, removed numbers controls while retaining taxi areas. It allowed for the issuing of taxi licences over the counter on a 12 month basis (or for a shorter period if that was preferred). It cancelled all current taxi licences with provision being made for compensation. There were also provisions for the annual licence to be surrendered and a refund obtained for unexpired months.

The new Part V dealt with hire cars. Current licences were cancelled and reissued on a 12 month basis. Current operators were given an automatic entitlement to apply for a new licence, with new operators having to pay an up-front fee of \$10,000 prior to obtaining an annual licence. The \$10,000 paid in order to be eligible to apply for a licence is transferable, but not refundable.

The new Part 5A related to minibuses. Licences were issued for a particular minibus area for a period of 12 months, or 6 months if it is preferred. The licensee was entitled to operate charters or tours anywhere and to stand and ply for hire only from approved minibus ranks within the minibus area.

The bill changed the system from one where a taxi licence in Darwin costs \$230,000, a private hire car \$10,000, and a minibus \$500, to an environment where each category of commercial passenger vehicle pays an annual charge according to the relative market access. It was aimed at creating a level playing field out of one that was seen by the Government to be 'clearly inadequate and inequitable to even the most casual observer' (Mr Coulter in the second reading of the Bill).

The lump sum payout of taxi licences is being funded by an annual licence fee with the taxi industry contributing most of the annual charge revenue.

Since its implementation in 1999, this Act has been subject to amendments on 1 January 2000, 12 July 2000, 15 July 2001 and 1 January 2002.

The determination of the amount of compensation paid was determined by the *Commercial Passenger Vehicles (Cancelled Licences) Regulations* which came into effect on 1 January 1999.

Under these regulations the amount of compensation to be paid for a taxi licence in the Tennent Creek taxi area was the amount last paid for the transfer of a taxi licence in the Tennant Creek taxi area escalated by the average percentage increase in taxi licences in the Darwin and Alice Springs taxi areas since the date of the transfer until 28 February 1998. The same determination was made in the case of the Gove taxi area.

In the case of multiple purpose taxis (wheelchair accessible taxis) operating in the Alice Springs area the amount of compensation to be paid for a cancelled taxi licence was determined as the amount last paid for the transfer of a multiple purpose taxi licence adjusted to reflect changes in the Consumer Price Index for the period since the date of the transfer until 28 February 1998.

The amount of compensation paid for a cancelled taxi licence (other than those referred to above) was determined as the amount paid at the last tender for the purchase of a taxi licence in respect of the same class of taxi to which the cancelled

licence related, operated in the same taxi area as the taxi to which the cancelled taxi licence related, and adjusted to reflect changes in the Consumer Price Index during the period since the date of the tender until 28 February 1998.

Three taxi operators issued a Supreme Court challenge to the amount of compensation under the taxi-plate buy back scheme, claiming they were not adequately compensated for their plates when the industry was deregulated. The judgement (9 November 2000) ruled in favour of the taxi drivers. It stated that the buy-back scheme was an acquisition under law, requiring just compensation and that the Transport Minister unlawfully delegated the calculation of compensation to a public servant when it was his responsibility.

In summary the new legislation, which came into effect on 1 January 1999, abolished taxi licence ownership and provided for the payment of compensation to the existing taxi holders. Taxis, minibuses and private hire cars were required to pay an annual licence fee and there were no maximum limits imposed on the issuing of licences in any category. The cost of the compensation was to be repaid from revenue obtained from the implementation of an annual licence fee.

## **5. The Impact of Deregulation**

The market value of a taxi licence in Darwin was estimated at \$228,361 for the purpose of the compensation payments which were made in respect of the cancellation of existing licences. The cost of deregulation to the Government was approximately \$25 million, to be repaid through an annual licence fee of \$16,000 for taxis in Darwin, \$13,000 in Alice Springs, \$9,000 in Katherine, \$4,500 in Tennent Creek and \$5,000 in Gove. As Deighton – Smith<sup>5</sup> indicates, this represents around 70% - 80% of the lease fees applying before deregulation. (Lease payments showed some volatility in the period leading up to deregulation, peaking at \$25,000 in Darwin). He also pointed out that NT projections at the time of deregulation were that licence fees were likely to repay the cost of compensation payouts in 8-9 years. More recent indications are that this period may be extended by a further year or two.

Table 2 summarizes the cost of annual lease fees for commercial passenger vehicle licences both before and after deregulation on 1 January 1999, while Table 3 gives an overview of the number of active commercial passenger vehicle (taxi, private car hire and minibus) licences issued in the NT at various dates during the period January 1997 – April 2000.

From Table 3 it can be seen that since the introduction of deregulation the number of active taxi licences has increased 35% from 138 to 186 in November 2001.

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<sup>5</sup> Deighton-Smith, R. (2000): Reforming the Taxi Industry in Australia. National Competition Staff Discussion Paper. ([www.ncc.gov.au](http://www.ncc.gov.au)).

**\*Table 2**

**Annual Lease Fees for Commercial Passenger Vehicle Licences**

Area	Type	Before 1-1-99	After 1-1-99
Darwin	Taxi	<sup>1</sup>	\$16,000
	<sup>2</sup> MTP		\$8,000
	Minibus	\$500 for 3 years	\$7,500
	Private Hire	<sup>3</sup> A + \$0	<sup>3</sup> A + \$1,000
Alice Springs	Taxi		\$13,000
	MPT		\$6,500
	Minibus	\$500 for 3 years	\$6,000
	Private Hire	<sup>3</sup> A + \$0	<sup>3</sup> A + \$1,000
Katherine	Taxi		\$9,000
	MPT		\$4,500
	Minibus	\$500 for 3 years	\$4,000
	Private Hire	<sup>3</sup> A + \$0	<sup>3</sup> A + \$1,000
Tennent Creek	Taxi		\$4,500
	MPT		\$2,250
	Minibus	\$500 for 3 years	\$2,250
	Private Hire	<sup>3</sup> A + \$0	<sup>3</sup> A + \$1,000
Gove	Taxi		\$5,000
	MPT		\$2,500
	Minibus	\$500 for 3 years	\$2,500
	Private Hire	<sup>3</sup> A + \$0	<sup>3</sup> A + \$1,000

\*Data from the Department of Infrastructure, Planning and Environment Discussion Paper, May 2002.

<sup>1</sup>Typical lease fee from plate owners was \$450 - \$500 per week for a taxi in the Darwin area.

<sup>2</sup>Multiple Passenger Taxi.

<sup>3</sup> 'A' represents a one off fee for a private hire car plate/entitlement of \$10,000.

**\*Table 3**

**Active Commercial Passenger Licence (CVL) Numbers**

Date	Jan-97	Jan-98	Jan-99	Jan-00	Jan-01	26 Nov-01	24 Apr-02
<b>Taxi</b>	138	138	138	182	178	186	<sup>2</sup> 183
<b>Private Hire</b>	103	92	88	77	75	<sup>1</sup> 69	<sup>2</sup> 67
<b>Minibuses</b>	Unknown	62	52	47	49	54	<sup>2</sup> 46
<b>Total</b>	Unknown	<b>292</b>	<b>278</b>	<b>306</b>	<b>302</b>	<b>309</b>	<b>296</b>

\*Data from the Department of Infrastructure, Planning and Environment Discussion Paper, May 2002.

<sup>1</sup>84 entitlements to operate a private hire car were in place but there were only 69 active CVLs.

<sup>2</sup>The reduced numbers were as a result of operators taking time out for periods of up to 3 months.

The deregulation of the commercial passenger vehicle (CPV) industry resulted in taxi licence owners being compensated in a licence buy back scheme to be financed by an annual licence fee imposed from 1 January 1999.

Following deregulation the industry has gone through turmoil with all stakeholders in the industry, including the general public, being affected to some degree. Major concerns have related to:

- the quality of the service provided;
- the reduction of income suffered by many in the industry, especially drivers; and
- ongoing disputes between sectors of the industry.

That this is so is well documented in the local press, both in Darwin and Alice Springs, and in question time in the NT Parliament (and confirmed through personal interviews). A survey of related articles in the Darwin based *Northern Territory News* and the Alice Springs based *Centralian Advocate* over the last two years has indicated a significant number of articles and editorials relating to the poor quality of the taxi services provided. Complaints include:

- A woman cab driver identified by an instructor who did not know how to adjust her rear vision mirror and seat (she was involved in an accident soon after being 'let loose' on Darwin's streets);
- Cab drivers asking passengers for sex;
- Drivers rounding metered fares up to the next dollar, sometimes by 40-50 cents;
- Drivers 'forgetting to give change' as they 'thought it was a tip';
- Drivers using foul language, and one driver smoking while in the cab with a passenger;
- A passenger having to pay 60 cents during the day for 'extras', and not one driver having a plausible reason for it;
- A passenger complaining about the continuous foul odours of the driver and the cab.

In a statement on 12 February 2001, the Treasurer of the NT Taxi Drivers Association stated that inexperienced and untrained taxi drivers were placing other motorists at risk, but added that the taxi industry's problems were not confined to untrained drivers. He said the deregulation of the industry was forcing some people to start 'ripping off' customers. He also indicated that the Motor Vehicle Registry was giving interim licences to taxi drivers on the proviso that they complete a driving course within a month (*NT News* 13 February 2001).

The taxi industry has indicated that competition by taxi owners and operators to find taxi drivers has led to a lowering of standards. It is believed that most complaints before deregulation involved the length of time it took taxis to arrive for fares, but the overwhelming majority of complaints since deregulation are of driver standards and 'rides from hell'. (*NT News*, 28 May 2002).

There is also strong evidence that since deregulation there has been a significant reduction in income experienced by many in the industry, particularly drivers. During Question Time in the NT Parliament on 9 September 2000 the then CLP Minister was asked the question

‘Over the past few years the government’s deregulation of this industry has seen (the number of) taxi licences double, the number of hire cars halved and havoc created for the minibus sector. I ask the minister, what do you have to say to these people when, as a direct result of your actions, some of them are now earning as little as \$35 a day ...?’

During question time on 6 June 2001 and prior to the NT election, a question from Mr Ah Kit to the Minister stated, in part,

‘In 1998 when the CLP deregulated the taxi industry, the then minister for transport said, ‘I believe this bill will begin a new era for commercial passenger taxi transport in the Northern Territory, and I know we will be watched with great interest by other jurisdictions.’ This new era for commercial passenger transport now has many cabbies working 12 hour shifts for as little as \$25 per shift. Taxi drivers and their families are struggling to make ends meet as a direct result of CLP policies.’

In his response the (then) Minister stated:

‘There are now well over 120 taxi cabs operating in the Darwin area alone. Perhaps Darwin is over serviced in relation to taxis and perhaps there is not enough of the pie to go around. We are aware that, however, it will take time for that industry to settle down to a level where not only adequate service is provided, but those providing those services can get an adequate income from the industry.

One would think the force of supply and demand will eventually lead to an equilibrium in the industry. ....’

The NT Taxi Council rejected the claim by the minister that the taxi industry would ‘settle down’ after the disruption caused by deregulation.

Press reports and letters to the editor of NT newspapers report driver earnings as low as \$8.50 an hour for a 12 hour shift with some instances of drivers working for as little as \$4 an hour.

What has emerged from the deregulation of the NT commercial passenger vehicle industry is the collision of economic theory and empirical reality, as identified by Dempsey<sup>2</sup>.

While the waiting time for a taxi has been reduced as a result of increased taxi numbers, driver incomes have declined dramatically, as has the quality of the service provided. To address the quality of service issue, the then CLP Government considered the development of a code of conduct for drivers and operators of taxis (and a similar code of conduct for minibus drivers and operators).

## **6. Code of Conduct for Taxi Drivers and Operators**

Following a consultation process between the taxi industry and the (then) Department of Transport and Works and other user groups, the Director, Commercial Passenger (Road) Transport, in accordance with the *Commercial Passenger (Road) Transport Act*, in May 2001 approved a Code of Conduct<sup>6</sup>. This Code is a set of guidelines designed to set minimum standards of customer service. Drivers and operators are required to comply with this Code when 'carrying passengers for hire or reward', and may result in fines (up to \$2,000) and possible restrictions of the taxi operation.

The Code of Conduct gives guidelines with respect to passenger expectations, passengers with special needs, the taxi, driver appearance, certificates of identity, driver and vehicle performance, industry training and fatigue management. It is notable that in the case of industry training, operators are required to provide professional training for drivers and the drivers are required 'to undertake such training to ensure high quality of service is provided to all taxi customers'. Drivers already in the industry also have to be provided with refresher training to ensure they keep up with changing customer expectations and legislation.

## **7. Review of the Commercial Passenger Vehicle Industry**

In the lead up to the NT election in August 2001, Labor put forward a pre-election Taxi Reform Plan which gave a commitment to maintain taxi numbers to a ratio of one cab to 900 people. This ratio would have resulted in about 100 cabs in Darwin. In October 2002 there were 136 taxis, 22 hire cars and 45 minibuses operating in Darwin.

When it came into power in the latter half of 2001 the new Labor Government acknowledged that the major increase in taxi numbers had increased competition for work in the commercial passenger vehicle (taxis, minibuses and private hire cars) industry with a corresponding detrimental effect on driver earnings, particularly in the taxi industry. The taxi industry stated that competition by taxi owners/operators to find drivers had led to a lowering of standards. (Evidence of this has been confirmed in the information provided in Section 5 above).

The Government stated that it was committed to restoring stability to the industry and on 26 November 2001 it placed a temporary cap on the maximum number of Commercial Vehicle Licences issued to taxis (other than wheelchair accessible taxis), minibus and private hire car numbers to provide temporary stability while a review of the operational framework and regulatory arrangements for minibuses, private hire cars and taxis was carried out. On 24 May 2002 this cap was extended to 31 December 2002 and included Multiple Purpose Taxis (MPTs).

The new Labor government also instituted a review of the commercial passenger vehicle industry. The terms of reference for this review included:

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<sup>6</sup> The Code of Conduct can be viewed at [www.nt.gov.au/ipe/dtw/publications/roadtransport/CoC\\_Taxi.pdf](http://www.nt.gov.au/ipe/dtw/publications/roadtransport/CoC_Taxi.pdf)

- a. The capacity of these three sections of the industry (minibus, private hire car and taxi) to provide sustainable, high quality services to the public; and
- b. Improvements that can be made to the operational framework and regulatory arrangements to achieve the objective of sustainable, high quality services to the public.

Public submissions were called (closing date 30 March 2002) with extensive consultations being undertaken by the Minister, his office and the Department. There were a total of 34 written submissions received, mainly from the industry and CPV industry and the accommodation and tourism industry. There was only one submission from a member of the travelling public (other than the industry and special interest groups) and that person's family had previously held both a taxi and a hire car licence under the old system.

In addition to driver safety and standards being significant issues of concern, taxi industry submissions addressed:

- The need to control numbers of Commercial Vehicle Licences (CVLs) and relate these to population numbers;
- The need to work towards a level playing field for all CPVs in regard to regulations and fees;
- Driver safety and standards;
- The need to reduce the overall level of regulation and to move towards industry self regulation; and
- A proposal to divert a percentage of licence fees towards industry promotion and regulatory compliance.

The NT Taxi Council, in its submission, stated:

‘There is an urgent need to improve returns to the industry not only in Darwin but throughout the Northern Territory from a low base of approximately \$5/hr.’

Submissions relating to the minibus industry raised issues relating to :

- High licence and vehicle operating costs
- The need to shift the onus of responsibility for regulatory compliance to drivers rather than operators; and
- Inadequate ranking facilities.

Two submissions relating to minibuses were opposed to control of vehicle numbers, while the submission from the NT Minibus Association Inc. concluded with the comment:

‘There is one important point to keep in mind: if minibuses can earn money why can't the taxis. Taxis have all the advantages, eg the ability to pick up a

fare anywhere, world wide recognition, huge numbers of cars, free call number and a great deal more technology than the minibus industry has.’

Submissions relating to the private hire car sector included issues relating to:

- Restrictions on ranking at casinos and airports;
- The requirement to operate from authorised bases and sub-bases;
- The current need to return to an authorised base after every booking; and
- The requirement in current legislation for operators to pay an initial \$10,000 entitlement fee.

A significant number of the submissions were from the accommodation and tourism industries and these were specifically in support of the minibus sector and opposed to any curtailment of their activities or requirements for installation of taximeters.

Written and verbal submissions were received from wheelchair taxi users. An issue raised was the need for incentives for drivers of wheelchair or multiple purpose taxis to pick up wheelchair bound passengers. One user of these taxis expressed concern at the reduction in the numbers of car type or ‘flash’ cabs as opposed to van type taxis.

## **8. The Commercial Passenger Vehicle Review Discussion Paper**

Following the closing date for submissions, a Commercial Passenger Vehicle (CPV) Review Discussion Paper was prepared for further comment by industry and the community. A period of one month was allowed for submissions on this paper before a final policy framework was to be decided by cabinet.

In releasing the Discussion Paper the Minister for Infrastructure, Planning and Environment (Mr K Vatskalis) stated:

‘... the industry needs to be revamped, the CLP’s deregulation has had a detrimental effect on the quality of the service and has reduced industry incomes as well as causing ongoing disputes between sectors of the industry.

This Government is committed to seeing the Territory’s commercial passenger vehicle industry return to efficient and profitable operation and I believe the recommendations contained in the Discussion Paper are the right way to go.’

### **8.1 The Role and Composition of the Commercial Passenger Vehicle (CPV) Board**

The Discussion Paper recommended changes to the various sectors of the industry, as well as the establishment of a Northern Territory Commercial Passenger Vehicle (CPV) Board. The proposed purpose of the Board was to guide the direction of the industry, oversee reforms of the industry, administer regulations for taxis, minibuses and private hire cars and to ensure all interests are adequately represented in ongoing industry development. Members of the CPV Board are to be appointed by the Minister, after receipt of nominations from relevant industry sectors and representative bodies.

With respect to composition of the Board in his press release the Minister said:

‘The Board will include representatives from each of the industry sectors, community user groups (including disability advocacy organisations), the tourism industry, drivers and consumers. I will appoint an independent chair and the Board will be assisted by an executive officer – a permanent public servant – and other staff as required.’

The proposal was for the Board to be established under legislation and given statutory powers. The Minister would have reserve powers in respect to all matters which are the responsibility of the Board. The Board would be required to report, at least annually, to the Minister. Proposed areas of responsibility for the Board include:

- Recommendations on maximum fares;
- Recommendations on zones and boundaries;
- Set training standards;
- ‘Fit and Proper’ assessments for drivers and operators;
- Establish and enforce standards for network approvals (eg complaints management, record keeping etc);
- Establish and enforce Codes of Conduct;
- Industry promotion;
- Standard (or Model) agreements between drivers, operators and networks to ensure accountability;
- Set vehicle suitability and cosmetic standards including advertising (ie other than roadworthiness standards);
- Set services standards for disability services;
- Administration and enforcement of other regulations as specified;
- Power to establish standards for the use of identification (ID) cards;
- Ensuring uniformity in size, design and placement of ID cards in vehicles to ensure visibility to passengers;
- Authority to remove CPV ID cards from drivers and operator for a time period or permanently. (Removal of CPV ID card would prevent a disciplined driver moving from one operator to another seeking employment).

Acknowledging national agreements to remove inefficient industry regulation the Government proposed that the CPV Board should provide advice to the Government on the state of the industry, including issues such as:

- Industry response times, including benchmarks for disabled access;
- General service standards relative to industry benchmarks;
- Seasonal demands; and
- Composition and size of the industry.

Licences for substitute/supplementary vehicles may be issued to meet seasonal demand and for major events.

The Board was also expected to establish minimum objectives for the percentage of disabled access as a proportion of the fleet – initially, 10% of the fleet. The proposal

was for this objective to be developed in consultation with users and with reference to national benchmarks.

The Discussion Paper also proposed that an interim Consultative Board would be appointed until legislation is developed to establish a permanent NT CPV Board. The Interim Consultative Board would be chaired by the Minister and include nominated industry and consumer representatives appointed by the Minister.

## **8.2 Industry Sector Proposals**

It was felt by some within the industry that the regulatory framework advantaged some sectors in comparison with others. To overcome some of the existing anomalies and to create a fairer environment, all CPV licences were proposed to be regionally based and all CPV fees were to be paid 6-monthly. A rearrangement of a number of key aspects of each sector of the industry were also proposed. These include:

### **Taxis**

- Taxis to continue to operate with meters;
- Taxis and minibuses to pay the same annual licence fee on the basis they have access to similar markets;
- Maximum fare structure to be approved by the Minister following CPV Board recommendations;
- Maximum fares to be prominently displayed to clients;
- Fares to destinations outside of regulated zones to be negotiable; and
- All taxis (excluding replacement vehicles) to be required to operate for a minimum of 100 hours a week.

### **Minibuses**

- Allowing minibus operators the right to respond to hails in the street;
- Minibuses to continue to operate without meters;
- Minibuses and taxis to pay the same annual licence fee (\$16,000 in Darwin, different in other areas);
- Maximum fare per passenger to be based on a zonal system similar to public bus fare zoning practices and fares to destinations outside of regulated zones to be negotiable. Maximum fare structure to be approved by the Minister following CPV Board recommendations; and
- All minibuses (excluding passenger replacement vehicles) to be required to operate a minimum of 100 hours a week.

### **Public Access Private Hire Cars**

- Public access private hire cars operate from an authorised base and from private hire car ranks at airports, hotels and casinos;
- Do not need to return to base between hirings;
- To be not permitted to take hails from the street;
- No meters but fare schedule to be at least 30 percent higher than for equivalent taxi service; and
- Licence fee of \$4,000 per year.

### **Pre-booked Limousine Services**

- Operate from authorised home base only – no ranking;
- Set one fare structure; and
- Licence fee of \$2,000 per annum.

### **Special Function private Hire Vehicles**

This category includes vehicles not in previous categories such as vintage cars and similar vehicles which operate only for special functions such as weddings.

- Associated fee of \$500 per year.

### **Courtesy Cars**

- All courtesy cars used by hotels and tourist operations to be specifically licenced;
- Licence fee of \$200 per year; and
- All other courtesy-type vehicles including those operated by garages, crèches, etc to be subject to existing conditions.

Other proposals in the Discussion Paper related to:

### **8.3 Entry Standards and Training for Drivers**

The Discussion Paper acknowledged the issue of appropriate driver and training standards had featured in media commentary, particularly in regard to the taxi sector. This issue was also raised in review submissions by both the industry and the community.

The proposal was for all future drivers to be required to undertake a two stage assessment:

- Preliminary assessment as ‘fit and proper’; and
- Full accreditation as taxi, minibus or private hire car driver.

All future drivers would also be required to have held a standard car drivers licence for a minimum period of five years before they would be considered for accreditation as taxi, minibus or private hire car drivers.

Prospective drivers would additionally be required to demonstrate competency in a range of areas including local area knowledge, vehicle maintenance and safety, customer service, including disabled access, fatigue management, record keeping, complaints management, knowledge of code of conduct, practical driving skills, cross-cultural communication and tourism training.

## **8.4 Industry Regulation**

In order to maximise industry self-regulation, a number of proposals were made. These include:

- Monitoring of wearing of driver uniforms etc to become the responsibility of operators and networks;
- Current six monthly inspections of CPVs be abolished and replaced with annual inspections which can be carried out by authorised inspectors; and
- Responsibility of networks, operators and drivers in relation to customer complaints, record keeping, driver standards and disciplinary action against operators/drivers be reviewed by the CPV Board and clarified where necessary, in regulations.

## **8.5 Ranking Space**

It was proposed to set up a working group of the CPV Board with appropriate representation to ensure ranking space is available to meet the needs of industry and the public.

## **9. Response to the Discussion Paper**

On 1 July 2002 the Minister issued a media statement relating to the CPV reform comments. He said that the submissions acknowledged 'the mess the industry was left in through the 'open slather' deregulation of the previous government'. The thrust of comments were supportive of the Government's efforts in addressing industry reform, which the industry acknowledged was well overdue for reform.

There was an acknowledgement that benefits would flow from increased self-regulation of the industry through a CPV Board consisting of industry and consumer representatives. There was also widespread acceptance that the first priority of the reform should be to greatly improve service standards for consumers. This was reflected in the overwhelming support for the need to improve driver training. A long term objective of the reform process is aimed at ensuring a viable high quality industry.

In his press release the Minister stated:

'Areas of disagreement are apparent in the submissions and we will be working towards consensus as much as possible, and in the longer term industry issues will be resolved by the Commercial Passenger Vehicle Board.

I didn't expect the industry to be 100 per cent in agreement with the Discussion Paper.

However, I am pleased to note that the submissions appear to be moving the industry towards a higher level of consensus than currently applies.'

## **10. Outcomes of the Reform Package**

The NT Government , on 16 October 2002, released final details of the reforms to be implemented in relation to the NT Commercial Passenger Vehicle industry. In making the announcement the Minister for Transport and Infrastructure said the changes to be introduced were the result of the public Discussion Paper released in May, together with extensive consultations with industry representatives.

The reform agenda includes the establishment of a Commercial Passenger Vehicle (CPV) Board whose role will be to oversee the introduction of the new standards and which will report to the Minister. The CPV Board will have an independent Chair and consist of industry, tourism and consumer representatives.

This Board will handle customer complaints, as well as development and regulation standards, and stipulate rules for the age and appearance of vehicles. It will also set standards for disabled passengers, with a requirement that not less than 10% of taxis provide disabled access. It will report (annually) to the Minister on the standards of service provided by the industry including response times and any adjustments that may be needed to ensure the provision of sustainable high quality services.

Driver training standards were also highlighted, with sweeping changes to be introduced in line with national competencies. Driver training is to be increased from 24 hours to 78 hours, with a practical test also to be included in the new guidelines. In time training is to be devised for operators, networks, and dispatch clerks.

The Reform agenda has been broken down into three components – Taxis and Executive taxis, Minibuses and Limousines.

Changes to Taxis and Executive Taxis include:

- A new category known as Executive Taxis to be introduced to provide a luxury level of transport;
- Executive Taxis will pay the same Commercial Vehicle Licence (CVL) as a standard taxi; and
- Executive Taxis will charge higher tariffs than standard taxis.

Changes to Minibuses include:

- Permission to respond to on street hails;
- May continue to operate without meters, but must display the maximum fare schedule to customers;
- Minibus operators must register fare schedule with CPV Board; and
- New Minibus licences will be equal to that of Taxis and Executive Taxis.

Changes to Limousines include:

- Private hire cars to be phased out and replaced with a Limousine category by July 2003;
- The \$10,000 private car entitlement fee will be abolished and operators with existing entitlements paid out;

- Limousines will operate on pre-bookings only, and from home base; and
- Limousine operators will not be required to register a fare schedule with the CPV Board.

Detailed information relating to the different sectors has been presented in the form of four Fact Sheets which appear on the web at [www.ipe.nt.gov.au](http://www.ipe.nt.gov.au). For completeness, this information is reproduced in Attachment 1.

In releasing the Fact Sheets the Minister stated:

‘All these changes are designed to improve an industry that has suffered since the CLP’s deregulation in 1999.

The Government wants to put an end to the on-going disputes within the industry, by setting clear demarcation between the various sectors, and creating a level playing field for all operators.

These reforms will deliver an improved standard of service to all Territorians and visitors, as well as creating a more sustainable work environment for industry operators.’

The Minister also said the temporary cap imposed on taxi, minibus and limousine licences in November 2001 would be lifted from 1 January 2003.

## **11. Taxi Fare Increases**

Prior to the release of the reform package, the Minister in early October announced that taxi fares across the Territory would be increased, with the increase expected to come into effect in mid-October. They are the first increases since December 2000 and were, in part, compensation for taxi owners as they adjusted to having to remove pre-booked charges from their meters.

Alice Springs fares rose by 6.34 per cent, an actual increase of 4.34 per cent plus 2 per cent in place of the abolished pre-booking fee. Fares in Darwin rose by 5.78 per cent and in Katherine by 6.82 per cent. (Fare increases were worked out in different areas according to local prices for a basket of goods, which included fuel and cleaning costs).

The fare increases were greeted with some reservations by the President of the Taxi Council of the Northern Territory. He said

‘We would have preferred not to have seen any price rise. Every time we have one, it costs us customers. In the short term, this rise will hurt us. .... We are due for an increase now, but many drivers are not making a living as it is.’  
(Alice Springs *Centralian Advocate*, 4 October 2002).

He also said many drivers were hoping the Government would have reduced the number of taxis operating to make the industry more viable. Less than two weeks

later, as part of the reform package the Government announced it was to lift the temporary cap on the issuing of licences on 1 January 2003.

## **12. Conclusion**

Deregulation of entry into the NT commercial passenger vehicle industry has resulted in the a major industry upheaval. A buy –back scheme for licences resulted in the Government paying out some \$25m in compensation, to be recouped through the imposition of an annual licence fee (\$16,000 in Darwin). Consequently fares have not decreased, and indeed as recently as early October 2002 there was a further increase approved by the Government.

While there was a dramatic increase (35%) in the number of taxi licences on issue following deregulation, waiting times have improved but there has been a serious deterioration in service standards, including safety issues, and driver income. This has been recognised both by the stakeholders and the general public and is well documented in the press and in question time in the Territory Parliament. This is inevitable when there has been an increase in the supply of CPVs without a corresponding increase in demand.

These problems were acknowledged by the NT Labor Government who introduced a temporary freeze on the issuing of new licences and conducted a review of the CPV industry. The resulting Reform Package has resulted in the lifting of the freeze on the issuing of new licences (from 1 January 2003) together with a partial reregulation through the creation of an industry based CPV Board which will have significant regulatory powers. This has resulted in the NCC, in its 2002 assessment of the industry, expressing concern about the approach adopted and indicating that, as with all other states and territory, the NT would be reassessed in 2003.

While the lifting of the freeze on licence numbers will have the potential to further increase the supply of CPVs and the CPV Board will regulate the industry to improve driver training and service standards, it is not clear how driver shortages being experienced by owners/operators and driver incomes, will be improved. Indeed the indications are that unless the Government can increase the demand for CPV services, driver supply, driver incomes and customer satisfaction will continue to be major problems for the industry into the future.

## **Attachment 1**

### **The NT Commercial Passenger Vehicle Reform Package**

**(released 16 October 2002)**

**A1.1 Fact Sheet – CPV Board**

**A1.2 Fact Sheet – Taxis and Executive Taxis**

**A1.3 Fact Sheet – Limousines**

**A.14 Fact Sheet - Minibuses**

## A1.1 Fact Sheet – CPV Board

### Commercial Passenger Board

- A Commercial Passenger Vehicle (CPV) board will be established to provide advice to the Minister on all matters pertaining to the taxi, minibus and limousine industries.
- The Minister will appoint the CPV Board, and an independent Chair. An interim Board will be appointed in October 2002. In the medium term, representatives will be appointed by the Minister, based on recommendations from industry and community groups.

Membership of the Board will include representatives of:

Taxi and Executive Taxis operators	Tourism Industry (2 reps)
Minibus operators	Disabled Access Advocacy
Limousine operators	Consumers (2 reps)
Regional industry operators	Drivers

Representatives of Regional Industry and Drivers will be appointed on a rotational basis between the industry sectors.

### Role of the CPV Board

- The Board will provide formal advice to the Minister on all policy and regulatory matters pertaining to the Taxi, Minibus and Limousine industries.
- The Board will: oversee reform of the industry; guide the future direction of the industry; administer regulation of the industry; and ensure all industry and consumer interests are represented in ongoing industry development.
- In particular, the Board will be responsible for overseeing:
  - entry standards for drivers and operators
  - training requirements;
  - vehicle standards and age limits;
  - provision of disabled access vehicles;
  - requirements for periodic vehicle inspection;
  - standards for network licences including complaint management requirements and driver management processes;
  - Codes of Conduct for drivers, operators and networks;
  - Maximum fare levels for taxis and executive taxis;
  - Recording of operators' maximum fares for minibuses; and
  - Consideration of unresolved customer and public complaints
- The Board will undertake a general review of legislation to remove anomalies and unnecessary regulation.

### Powers of the Board

In addition to its advisory role, the Board will have the power to:

- Determine whether drivers, operators and networks meet ‘fit and proper’ requirements for accreditation;
- Accredite training providers;
- Suspend drivers, operators and networks for breaches of regulatory requirements and/or approved Codes of Conduct.

### **Board Operations**

- The Board will be supported by an Executive Officer and Board Secretary;
- Establishment cost is estimated as \$85,000;
- Annual operating costs will be \$215,000 in a full year; and
- Annual costs include provision for 15 Board meetings each year and 24 hours of videoconferencing.

## A1.2 Fact Sheet – Taxis and Executive Taxis

### Commercial Passenger Board

- A Commercial Passenger Vehicle (CPV) board will be established to provide advice to the Minister on all matters pertaining to the taxi, minibus and limousine industries.
- The Minister will appoint the CPV Board, and an independent Chair. An interim Board will be appointed in October 2002.

Membership of the Board will include representatives of:

Taxi and Executive Taxis operators	Tourism Industry (2 reps)
Minibus operators	Disabled Access Advocacy
Limousine operators	Consumers (2 reps)
Regional industry operators	Drivers

### Executive Taxis

- A new category – “Executive Taxi” – will be created to provide a luxury level of taxi service to the public;
- An Executive Taxi will meet a higher standard than a standard taxi;
- The Board will set the standards (similar to that of the Limousine category);
- Executive Taxis will pay the same Commercial Vehicle Licence (CVL) fee as a Standard Taxi; and
- Executive Taxi tariffs will be higher than for a Standard Taxi – reflecting the higher capital and operating costs. The CPV Board will make recommendations to the Minister regarding the fares and charges.

### Fees and Charges for Commercial Passenger Taxi Licences

- CVL’s will be regionally based;
- CVL (licence) fees will continue to be paid quarterly;
- Any new CVL issued – for any category – will require a full year, up-front payment of the first year’s CVL fee. This will apply to new CVL’s taken out by new and existing operators. For the second and subsequent years, the fees will revert to quarterly payment.
- Executive Taxis will pay the same CVL fee as for a Standard Taxi.
- The fee for a new Minibus CVL will be equal to that for a Taxi or Executive Taxi CVL, commencing 1/1/03;
- Existing Minibus CVL’s will be aligned with the fee for a Taxi CVL in a stepped increase over the next three years commencing 1/7/03 including pro rata for the first 12 month period;
- The three year phase in period for CVL fee alignment also applies to MOG’s (Motor Omnibus Gove) converting to Minibuses commencing 1/7/03;
- The fee for a Limousine CVL will be \$1,120 annually in all regions, commencing 1/7/03; and

- The fee for a special function car will be \$500 annually in all regions, commencing 1/7/03.

### **Substitute and Supplementary Taxes**

- Substitute taxes will continue to be available for normal taxes that are not operational due to programmed maintenance, vehicle accidents etc;
- The provision to use a substitute tax as a supplementary tax for a specified number of days will be abolished.

### **Ownership of CVL and Vehicle**

- A new regulation will require the registration of a taxi, limousine or minibus to be the same as the CVL attached to that vehicle. To be phased in for existing holders over a 12 month period;
- The registration of a vehicle in a company or business name is permitted provided all directors of the business or company have accreditation.

### **Incentives for Disabled Access Vehicles**

- Vehicles designed and constructed to carry wheelchairs and fitted with taximeters will be able to obtain a Multi Purpose CVL at a 50% reduction to the normal CVL fee and will be subject to special licence conditions;
- The CPV Board will review the need for additional incentives for drivers and operators;
- The CPV Board will also be reviewing means for extending disabled access provisions to other classes of CPVs;
- The ratio of multi purpose taxis and Executive taxis will not be less than 10% of the total fleet. The CPV Board will review this target and provide recommendations on means of increasing the ratio.

### **Training for Drivers**

- Driver training requirements will expand from 24 hours to 78 hours, aligned with national competencies. This requirement will apply to all sectors effective from March 2003. All driver training which commences after 16/10/02 will be required to meet the new provisions. The requirement for existing qualified drivers to undertake refresher courses will be assessed by the CPV Board;
- New drivers will be required to undergo an initial training period of 24 hours before a “Temporary ID” card is issued. A practical test will be included in the new training requirements. “Temporary ID” Drivers will be able to work as drivers provided they have entered into a full training agreement with their employer;
- The training schedule will be set by the course provider and may require a period of training of one day per week;

- A further 54 hours training will be required over the following 3 month period to enable a driver to obtain an “Unrestricted Driver ID” card;
- Ongoing monitoring by the operator and the network in the form of “on the job assessment” will be crucial to the training program;
- Training providers in Darwin and Alice Springs will be required to be independent of operators and networks from 1/3/03. For other centres, network operators may provide local training;
- Independent audits will be conducted to ensure high standards of training are maintained;
- The CPV Board will assess and accredit training providers;
- Drivers wanting to move between regions will be required to undergo localities training and be endorsed to operate in the new region.

### **Training for Operators, Networks and Dispatch Clerks**

- Training will be developed by the CPV Board in consultation with training providers to provide accredited training for operators, networks and dispatch clerks;
- Implementation of these training requirements will be targeted in 2003/2004.

### **Entry Standards and Code of Conduct for Drivers**

- The CPV Board will review existing “fit and proper” standards for entry to the industry;
- New drivers will be required to hold a driver’s licence for a minimum period of 5 years before they can obtain a licence (ID card) to drive a taxi (including executive taxi), minibus or limousine;
- The CPV Board will have the power to waive this requirement in special or predetermined circumstances;
- The CPV Board will review the conduct standards for drivers to tighten application of the standards and impose strict penalties for drivers who are found to break the code;
- The CPV Board will have the powers to suspend a driver effectively preventing the driver from driving in any network.

### **Cap on Taxi, Minibus and Limousine Numbers**

- From 1 January 2003, the temporary cap on Taxi, Minibus and Limousine numbers will be lifted;
- The CPV Board will report annually to the Minister on the standards of service provided by the industry including customer response times and any adjustments that may be needed to ensure the provision of sustainable high quality services.

### **Ranking Space**

- Provisions will be introduced for CPV’s to use bus stops as ranks outside public bus operating hours;

- Metered and non-metered CPV's will continue to rank separately;
- The CPV Board will establish a working group to address ranking issues throughout the Territory; and
- Severe penalties will be introduced for any breaches of the time restrictions on using bus stops.

#### **Minimum Hours of Operation**

- CPVs will not be required to operate for a set minimum number of hours per week.

### **A1.3 Fact Sheet – Minibuses**

#### **Commercial Passenger Vehicle Board**

(Same entry as that on the Fact Sheet for Taxis and Executive Taxis – see A1.2).

#### **Minibuses**

- Minibuses will continue to operate without meters;
- The restriction preventing minibuses from responding to hails will be abolished;
- Minibus fares: will be set by operators based on a zonal system; must be registered by 1/1/03 with the CPV Board; maximum fares must be prominently displayed to customers; and fares must be agreed before customer entry;
- The Motor Omnibus Gove (MOG) category will be discontinued. All existing MOGs operating in the Nhulunby taxi area will convert to the Minibus category on 1/7/03. Larger omnibuses (over 15 seat) currently operating as MOGs in Nhulunbuy will continue to operate until they reach the specified vehicle age limit.

The entries on the Fact Sheet for Minibuses are the same as those on the Fact Sheet for Taxis and Executive Taxis under the headings of Fees and Charges for Commercial Passenger Vehicle Licences, Ownership of CVL and Vehicle, Incentives for Disabled Access Vehicles, Training for Drivers, Training for Operators, Networks and Dispatch Clerks, Entry Standards and Code of Conduct for Drivers, Cap on Taxi, Minibus and Limousine Numbers, Ranking Space and Minimum Hours of Operation.

## **A1.4 Fact Sheet - Limousines**

### **Commercial Passenger Vehicle Board**

(Same entry as that on the Fact Sheet for Taxis and Executive Taxis – see A1.2).

### **Limousines and Private Hire Cars**

- Private hire cars will be replaced with a Limousine category and a Special Function (wedding) car category from 1/7/02. There will be no entitlement fee payable for a limousine or special function car;
- The existing \$10,000 entitlement fees will be refunded to operators from 1/7/03;
- Limousines will be required to be pre-booked only and must return to base after every job;
- From 1/7/03, there will no longer be sub-bases where a limousine can return to after a job;
- Limousines cannot accept walk-up fares;
- Private hire cars/limousines wishing to ply for hire can convert to the new Executive Taxi category.

The entries on the Fact Sheet for Limousines are the same as those on the Fact Sheet for Taxis and Executive Taxis under the headings of Executive Taxis, Fees and Charges for Commercial Passenger Vehicle Licences, Substitute and Supplementary Taxis, Ownership of CVL and Vehicle, Incentives for Disabled Access Vehicles, Training for Drivers, Training for Operators, Networks and Dispatch Clerks, Entry Standards and Code of Conduct for Drivers, Cap on Taxi, Minibus and Limousine Numbers and Minimum Hours of Operation.