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29 June 2015

Project Officer
ACT Taxi Industry Innovation Review
ACT Government
GPO Box 158
CANBERRA ACT 2601

Email – taxiinnovationreview@act.gov.au

Dear Sir,

Re: Taxi Industry Innovation Review – Aerial Capital Group Ltd Submission

I write to provide Aerial Capital Group Limited's (ACGL) views on the Innovation Review discussion document.

Given the potential financial impact and harm associated with implementation of the views proposed in the review document ACGL asks that every effort be made to ensure wide ranging support for change.

ACGL's calls upon the Minister to use the outcomes of this taxi review to formulate evidence based evaluation of the costs and benefits of making any changes to existing Taxi legislation. Government having invested significantly for over 30 years in 10 previous taxi reviews resulting in the current regulatory system that offers the best mix of technology, service and infrastructure for the Canberra market. Changing this mix towards a greater focus on deregulation will have wide-ranging impacts upon community safety and service levels. This paper outlines these impacts and ACGL draws on our experience in the NZ deregulated taxi market. It is incumbent upon Government to fully consider, cost and mitigate these impacts. The community have the right to an a priori assessment of this analysis and cost.

Aerial's experience

ACGL is an accredited ACT taxi network with over 56 years experience in the Canberra market. ACGL is also the owner of Canberra Hire Cars.

ACGL also owns and operates two NZ taxi networks (ATO's) and transport data centres in New Zealand servicing seven taxi companies.

The comments submitted here draw on our taxi and hire car experience in the Canberra and NZ (deregulated) markets.



In preparing our submission we are mindful of considerable regulatory change made in 2001¹ where the ACT Government's taxi accreditation regime was expanded "to improve the performance and standards of the public passenger services industry as a whole". This 2001 Amendment Bill was introduced to strengthen public safety, service quality and consumer protection by increasing the responsibilities of taxi networks and taxi operators. Minimum Service Standards (MSS) were introduced. "Accreditation for taxi operators will ensure the operators of taxi services will be required to comply with and maintain service standards." Aerial willingly, promptly and fully complied with this accreditation change. ACGL applied for and received accreditation approval on 1/3/2002.

The 2001 Explanatory Memorandum accompanying the Amendment Bill explains why accreditation and additional regulation were introduced. i.e. to improve performance and standards not to encourage innovation, or give flexible arrangements for the adoption of new business methods or increase competition.

Innovation, flexible arrangements and increased competition all exist within the framework introduced by the 2001 Amendment Bill.

Following the 2001 legislative amendments a tenth taxi review was initiated in 2010 by the ACT Government to refine taxi regulation in order to increase performance, standards and competition. The ACT Gov. proclaimed the 2010 review a major success.

This current taxi review is the eleventh since 1985 and has been initiated in the absence of customer complaint, poor performance, over pricing or a lack of competition.

After 10 taxi reviews and major changes to legislation and regulation, made to protect public safety and require universal adoption of minimum service standards, it would be negligent of Government to make wide ranging changes without detail and considered evidence based analysis, using cost benefit analysis with full disclosure of public impacts.

Aerial specifically seeks to register our dispute with statements made in section 7 (page 46).

- Innovation and Competition are alive and well in the current regulator framework. All technologies and data offered by the TNC apps model are currently extant in the ACT regulatory framework. Government need only ask for these data for it to be made available.
- The (ITOP) Independent taxi trial in Canberra had an objective of achieving 30 independent operators over the term of the trial. This has not happen and Aerial views the trial as less than successful and a strong indicator of unique aspects of Canberra's market. The ITOP cannot sustain 4 taxis let alone 30 therefore its extension to a fleet of more than 350 cars is inconceivable.
- The level of information provided by app based models is NOT more but less reliable in protecting public safety or consumer protection. Aerial holds strong doubt that app based GPS data would be persuasive as court evidence. Nor would it be capable of replacing the services offered to the AFP by Canberra's taxi industry.
- Ride-sharing as it is currently mooted will not command new market share in Canberra. It will destroy existing services, introducing poorer levels of service, create areas of abandoned service in the outer suburbs of Canberra and ultimately lead to generally

¹ Road Transport (Public Passenger Service) Amendment Bill 2001 – Explanatory Memorandum



higher prices as regulatory control evaporates. It will cause harm, as has been demonstrated internationally and given the unique aspects of the dry climate for taxis in Canberra, it is incumbent upon Government to fully assess its impacts and costs before making any regulatory changes.

Aerial rejects the view that new entrants offer innovation because their offered business models and technologies already exist in the Canberra market.

Current taxi services in the ACT are charged with meeting all service aspects and all customers (24/7/365). This requires technology and training to use many and all booking media and all forms of payment. Allowing an app provider to offer only one media (smartphone app) and one payment option (credit card) is enabling the app provider to focus only on the lowest cost highest profit segment of the taxi market. This is guaranteed to send all other full service providers to extinction. It is also lessening service by limiting options for consumers.

During recent meetings to discuss this taxi review Aerial has been asked to comment on ways of minimising regulation and reducing red tape.

Aerial provided comment on separation of Command and Control Issues for Self Regulation in its response to the 2010 taxi review. See Appendix B. There are many issues and areas where a cooperative (Co-Regulation) dialogue between Government and the Taxi industry could reduce the cost of regulation whilst improving service delivery. It only requires a willingness on the part of Government to meaningfully engage with the taxi industry.

Appendix C – Rebuttal of Prof Fel’s presentation, Melbourne June 15, 2015, which supports deregulation of the taxi industry, is included because ACGL see a need to context these remarks with respect to the Canberra market.

ACGL is fully committed to a continuing dialogue and welcome discussion on options to enhance public passenger transport services in Canberra particularly where Modal Convergence can be progressed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Mark Bramston".

Mark Bramston
Managing Director



Background Information to ACGL submission

ACGL's taxi network:

- 2.4M taxi jobs annually and all car, driver and trip information in readily useable digital format is available;
- Makes use of GPRS, PMR and GIS technologies;
- All cars are hard wired with GPS, internal and external video cameras and a 24/7/365 monitored duress alarm system, based in Canberra;
- ACGL's apps and web have customer-focused options for driver ratings;
- A local complaint management team operates in Canberra during normal business hours;
- Financial transaction revenue goes to the Taxi Operator – e.g. financial transaction commissions are paid to the taxi owner. App based TNC's take financial transactions as profits to the TNC owner;
- Via regulation the Taxi industry prohibits dynamic and variable charging (price surging) that has not been approved via the annual taxi fare TCCI process. ACGL polices anomalies to these rules and customer refunds are mandated where rules are broken;
- ACGL's digital dispatch system provides incremental work opportunities to taxi drivers. (GPS crash during peak, Cover screen jobs, log in pending, zone statistic analysis and work optimisation etc.). This is a main reason why the ITOP has been unsuccessful;
- ACGL encourages double shift operation of cars thereby enhancing operating efficiency and optimisation of investments in motor vehicles;
- ACGL mandates a regular (three monthly) vehicle inspection program, used to maintain vehicle standards. These inspections are performed using app based inspection software designed and developed by Aerial. This local innovation has been sold to other Australian taxi companies (e.g. Adelaide);
- ACGL operates a driver training school using ASQA endorsed curriculum and qualified teachers. The school's operation is subsidised at an approximate 20% discount to training costs in other cities;
- Aerial operates a digital technology service centre in Canberra supporting the digital equipment installed in all taxis (approximately \$6500/car);
- Aerial owns and operates a data centre located in Canberra, employing 65 staff. This centre supports our omni-channel approach to services.



Aerial’s Omni Channel concept

Aerial uses an “omni-channel approach” to service customers looking to book and pay for a taxi service. Offline (physical) and Online (digital) channels offer customer choice.

Offline & Online channels	Media used to engage
Offline	
Plain Old Telephone (POT)	Telephone – Fixed and Mobile Calls
Reception	Face to Face, Fax, Letters,
Messaging	Text / SMS
Hail	Kerbside signal of taxis
Online	
Web	Web bookings page services
Email	Email templating & scripts
IVR	Both templates and Natural Language services (ASR)
Smartphone Apps	Apple & Android based services
Dot Net Web Apps	Web based App services

The POT service is mandated by MSS standards. Other services are not. Online services are the lowest cost services to provide and offset the high cost of providing Offline services. Obviously if current MSS regulations are removed the first cost cutting exercise will remove the high cost service components.

Taxis historically have never wanted to or been allowed to abandon customers who choose and rely on high cost offline service aspects.

It was once illegal to refuse payment in cash (legal tender) however it now looks as though a TNC can reject all forms of payment other than that which forms the TNC’s low cost service model preference. How can this be equitable and respectful of the broader public good?

Aerial’s Current Payment Options
Cash (in advance or end of trip)
Prepaid Voucher
Aerial Account
In Car Eftpos (Credit Card, E-ticket, EFTPOS)
Web based E-trading portal (prepaid and in car) (EWay, Stripe)
Paypal (trial)



Aerial Capital Group Ltd – Australia and New Zealand Operational Entities

Canberra Market	Transport Service
Canberra Elite Taxis	Taxis - 250 cars
Canberra Silver Service taxis	Premium Taxis - 33 cars
Qe – Queanbeyan Elite Taxis	Taxis 6 cars – cross border agreement
Canberra Hire Cars	Premium Hire Car Chauffeur Limousines – 10 Cars
Bus Me	Bus Services Prebooked – 5 buses

New Zealand Market	Transport Service
Palmerston North Data Centre	Transport Data Centre North Island
Christchurch Data Centre	Transport Data centre South Island
North Island:	
Palmerston North Taxis	Taxis – 63 cars
Kiwi Cabs – Wellington	Taxis – 108 cars
Half Price Taxis – Napier	Taxis – 20 cars
Porirua Taxis – Wellington	Taxis – 39 cars
Paraparaumu Taxis -	Taxis – 20 cars
Energy City Taxis – New Plymouth	Taxis – 20 cars
South Island:	
First Direct Taxis – Christchurch	Taxis – 112 cars
Timaru Taxis – Timaru	Taxis – 20 cars
Queenstown Taxis – Queenstown	Taxis – 58

What role can new technology play?

New technologies, as being exhibited by App providers (TNC's), claim a lower risk profile because of customer and driver registrations and digital data capture. All data captured by the TNC is currently being captured by ACGL including customer registration. The TNC's do not provide any more data or information than that currently available to ACGL. If Government wants access to these data it only need regulate to have it communicated.

Aerial has historically held privacy as a paramount requirement and no personal information is released to drivers or the general public. Only the Police and Government are permitted access to ACGL's Camera and GPS tracking data. Aerial does not use these data for any purpose other than service delivery and Government reporting. What provisions will apply to stop a TNC, particularly an internationally based TNC from using these data for marketing and other commercial purposes?

What impacts could new technologies have?

New technologies in their current form are disruptive only because the owners seek advantage by avoiding the costs of taxi licensing accreditation and an omni-channel product offer. If new technology providers are required to compete on a level playing field with respect to cost, regulatory compliance and all service levels then the opportunity for profit advantage is negated. In this mode the Canberra market is too small to sustain numerous vendors and a rapid demise in service levels can be anticipated where many players hold minimal market share or one large TNC holds all profits in the app market segment and no cost associated with an omni channel service delivery obligation.

What risks are posed in adopting a single app solution (e.g. ridesharing):

- Rapid loss of omni channel services as profitability declines, i.e. limited choice for consumers,
- Abandonment of Infrastructure because cost recovery does not support continued investment – e.g. focus solely on GPRS smartphone services could remove ACGL's dual PMR/GRPS communication network. The PMR network is a valuable essential service in the event of a GPRS network failure (e.g. earthquake, terrorist event etc.). The PMR network proved its worth during the 2003 ACT bush fires in providing a low cost effective communication grid for cars. Today a GPRS network would be swamped in such an event.
- Loss of data, usable within the court system, made freely and conveniently available to the AFP in support of criminal investigations.
- Additional cars on road and increased parking congestion in the city centre² and a decline in the use of other Public Passenger transport services (Action buses).

² NZTF - submission on SPSV Review paper: Background information for participants, 19 June 2015. Point 2 c&d.

- Financial viability decline of existing taxi service and surrender of more (currently 51) Government leased taxi plates leading to rapid service decline in the outer lying suburban areas of Canberra.
- Greater harm to the travelling public – smartphone registrations are ineffective where there is not a system in place to audit, verify, investigate and interpret these data.
- Loss of jobs in Canberra – Management and technology jobs will leave Canberra and move to international venues (San Francisco, Sydney etc.)
- Major service market dislocations and variability causing deterioration in public confidence. If the trends shown in America repeat in Canberra, which prudence and experience suggests will be manifestly more dramatic in Canberra, there is strong expectation that that ride-sharing service partners will turnover rapidly³ (i.e. 50% of Uber partners exit after 12 months). This suggests that the Hon. Andrew Leigh’s comment has merit in Canberra’s context.⁴

Risk Based Regulation and level playing field

Market choice is essential but adequate justification has not been made for the repeal of regulatory amendments made in 2001 that introduced Taxi Accreditation and MSS. All providers of market choice must compete on this level playing field (Accreditation and MSS). This playing field is justified by consumer protection, public safety, investor confidence and 30 years of regulatory reform based on Canberra’s needs.

People with disabilities

The Current WCBS is a regulated monopoly service sustained by Government’s direct management of this business with subsidies. WCBS typically completes 1% of a standard taxis workload and without access to standard taxi work few of the existing WAT operators could continue to offer equivalent taxi services to people with disabilities. Aerial provided an extensive WAT implementation model to the 2010 taxi review. Aerial remains committed to implementation of such a model and have the view that WAT is a necessary taxi network service that does not require direct Government involvement.

Payment Surcharges

Limiting surcharge fees has not proven to be effective in other Australian markets. Where Governments have imposed limiting legislation on financial transactions evidence suggests that financial service providers with market scale pickup market shares and smaller financial service providers exit the industry thereby limiting competition.

³ An analysis of Labour market for Uber’s Driver-Partners in the United States, Hall J and Krueger A, 2015 Web

⁴ “But if those jobs are casual and badly paid, then the whole arrangement starts to look uncomfortably like a modern restoration of the Downtown Abbey era” Hon Andrew Leigh, Sharing the Future – Competition in the App age, 24/3/2015.



A more effective method would be to pass regulations that required open disclosure of all financial transaction service costs and for the Government not to set maximum limits on financial surcharges.

Imposing even more regulation to limit finance surcharges is inconsistent with Government's stated view that it has to remove regulation for the taxi industry because of high cost and limited competition. The action taken by other States is seen to have only limited competition, promoted monopoly and added compliance costs for Government.

Technology Issues:

Smartphone GPS locations – If the car that is to provide the On-demand service is not fitted with a hard wired GPS dispatch device then the car's location can only be assumed by reference to the GPS signal received from the driver's smartphone. The App provider claims that the signal represents the location of a car but it may be/can be false. The signal may bear no reference to the car's actual location thereby creating false and misleading information about the service. It also means criminal or fraudulent activities can be more prevalent.

What happens if the growing preference for ad-blockers and personal privacy further change customer support for web registration? A consumer trend in this direction, whilst possible, would leave Government out of touch with the mechanisms needed to protect public safety.

The Way Forward

1. ACGL calls upon the Minister to use the outcomes of this taxi review to formulate evidence based evaluation of the costs and benefits of making any changes to existing taxi legislation. Having invested significantly for over 30 years in 10 previous taxi reviews resulting in the current system that offers the best mix of technology, service and infrastructure for the Canberra market. Changing this mix towards a greater focus on deregulation will have wide-ranging impacts upon community safety and service levels. This paper outlines these impacts. It is incumbent upon Government to fully consider, cost and mitigate these impacts. The community have the right to an a priori assessment of this analysis and cost.
2. Taxi licensing and Accreditation /MSS to remain in place. (30 years in development prove its worth)
3. Booking Apps are only a single method of service delivery and if they chose to only offer one aspect of service then they must be required to affiliate with an accredited full service provider or seek licencing approval to offer a full suite of services in the Public Passenger Transport market (POT, disability, complaints, training, standards, reporting, tax etc.) i.e. obtain full Licence Accreditation.

Review Document - Questions to Consider:

1. **Page 15** – Risks: Information Differences between rank and hail, and booked work present different risks? To what extent do new technologies and business models reduce the risks involved with booking services?

Response:

New technologies and business models do not reduce, they increase the risks for customers if these new services are used outside the existing regulatory framework of accredited taxi and hire car services.

For example - International bans imposed on Uber in Belgium, Germany, France, India, Spain, Netherlands, Philippines, South Korea and the numerous legal suites pending in the US support this view.⁵

There are significant differences with respect to risk between rank & hail and booked work but only where non-accredited (i.e. unlicensed) booking apps are used to take bookings. Ride and Hail work in a licenced taxi provides the customers with all the risk management benefits afforded by ACT regulation:

- Accredited car fitted with GPS tracking and video surveillance,
- Licensed and trained driver and driver identification displayed in the car;
- Taxi network PMR and GPRS support to car and customer;
- Accredited taxi-meter;
- Numerous payment options available on demand, including cash.

Bookings made within this ACT accredited taxi model are less risky than unaccredited app based bookings because the control system used to manage app based unregulated technologies is considerably less than that required by the ACT's MSS for taxis.

Booked jobs made to an accredited taxi network offer customers choice using omni-channel media. All data and payments options offered by the new technologies and business models are contained in these omni-channels.

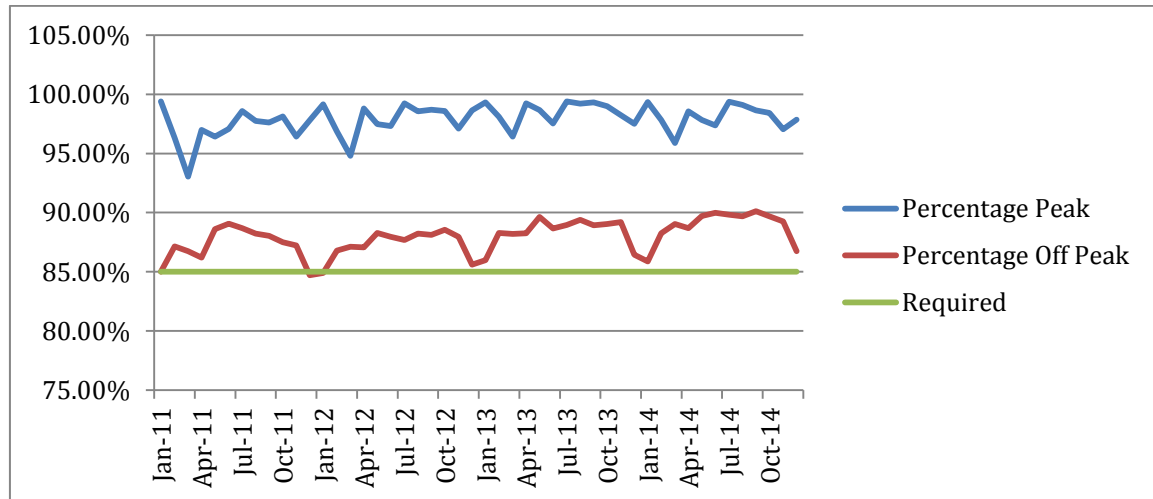
If ride-sharing services do not mandate adoption of in-car camera systems and panic alarms then these services will inherently be riskier than an equivalent taxi service. This is supported by a deregulated NZ taxi service where cameras were introduced in 2010 by regulation.⁶

In Canberra 200,000 booked and rank/hail jobs per month with high customer satisfaction and negligible complaints fully justify this claim. The ACT Taxi industry has exceeded the ACT Minimum Service Standard (MSS) accreditation. The Innovation Taxi review has not made any claim with reference to MSS deficiencies justifying a need for a review of current taxi services.

⁵ en.m.wikipedia.org - Uber

⁶ NZTF - submission on SPSV Review paper: Background information for participants, 19 June 2015. Clause 25 & 26 – Safety is Paramount.

Aerial Capital Group – Network Accreditation Performance 2011 - 2014



Cashless payment services do not provide customers with greater transparency where they are based on smartphone apps that exclude interfacing with taximeters and taxi dispatch systems. The lack of interfacing with hardwired taxi in-car equipment introduces a greater risk of fraud, data manipulation, privacy violation and reporting record loss. A driver can easily deactivate a smartphone device’s GPS and as this device is not hardwired to a car it cannot be used as conclusive evidence of the cars location. I.e. tracking records may be unusable as court evidence.

ACGL works with the AFP to provide both GPS location data on taxis and camera images to assist AFP investigations. New technologies based on smartphone apps will minimise data availability and usefulness for the AFP. In an urgent situation, ACGL can offer this service promptly to the AFP (24/7/365) because our office and staff are based in Canberra.

The MSS requires ACGL to have the job trip data that is submitted to Government as part of monthly accreditation performance standards to be independently audited and for the audit report to be submitted to Government. ACGL has on record all GPRS, PMR, video and audio data for all completed jobs. Storage record periods vary but ACGL can provide all data to Government, it only needs to be requested. i.e. what the TNC’s are offering in data is already available so the TNC data does not offer more nor reduce risk.

The view that additional competition can be used as justification for reduced regulatory requirements is not supported by ACGL. Additional competition only works in Honey Pot markets. If regulation is reduced to remove the requirement to service all demand, including disabilities, then large segments of our Canberra market will be underserved. E.g. off peak suburban demand, airport pickups late evening on weekdays etc. Unstructured ridesharing services will also avoid these non-honey pot markets due to low volume and slim profits. This will mean that the ACT Government will experience an increasing number of customer/voter complaints.

2. **Page 22** – Supply: How are drivers faring in the current taxi industry? What about operators? What further actions or industry developments would promote viability and consumer outcomes? Are there regulatory improvements that could be made to reduce driver costs, for example cost of driving licensing?

Response:

This is a timeless question that can draw unlimited responses, as does the FWA wage debate. The 2010 Taxi review addressed these questions and made a recommendation to modify the Taxi Cost Composite Index (TCCI). The ACT Government has not yet adopted this recommendation.

ACGL supports the TCCI and the 2010 recommendation to modify this model. The TCCI considered all costs associated with running a viable taxi business and it is used to set the regulated maximum taxi fare.

Paradoxically the TCCI set fare is both the **maximum fare** approved by Government and the **minimum viable fare** that an operator and driver can charge and expect to have a viable business. Regulations require all taxi trips to be undertaken with the meter engaged in order to show the customer the trip's real cost. Given this paradox there is little scope to discount fares as the driver cannot earn a premium (no surge pricing) and therefore cannot sustain a discount, which would affect viability. The customer also requires full disclosure.

Meter calibration is an annual process that requires testing of every car and the issuance of a certificate of compliance, which must be presented to Government. Weights and measures legislation is in place for good historical reasons and these reasons apply just as much to app based smartphone technologies.

The TCCI fully considers the driver labour cost and the number of jobs needed to maintain viability. For this reason any attempt to separate rank and hail work from booked taxi work will directly threaten the viability of both the taxi driver and the taxi operator.

3. **Page 24** – Equity: How can we best ensure WAT services are maintained and improved?

Response:

Adopt the CTIA WAT service model proposed to the 2010 ACT Taxi Review. This model is supported by ACGL. Should the ACT Government elect to transition from the WCBS to the CTIA model ACGL will fully cooperate and work to facilitate equitable outcomes for all parties (staff, drivers, technology suppliers and taxi operators).

4. **Page 24** – Technology: How might service change with a new environment?

Response:

ACGL does not accept the view that there is a new environment it is simply an evolving market with extra options. The smartphone booking apps have been extant and part of the taxi industry since 2010 and everything offered by the unlicensed app providers is used and offered within taxi industry apps.

The new environment is seen as nothing more than a marketing campaign from opportunists who seek to avoid the costs of regulatory compliance, avoid taxes⁷, avoid the costs of omni-channel service media, avoid the costs of adequate insurance and operate only in high margin market segments.

The new environment's advocates justification for tips, surge pricing and new forms of service fee is simply profit seeking through greed without corporate responsibility and market transparency.

5. **Page 28** – Supply: Can the new models support around the clock service? Could new models of providing services have different requirements to taxi networks, as is currently the case for hire cars?

Response:

Categorically no. To provide round the clock services to the entire Canberra market using all mediums of booking and all rank/hail sites requires considerable investment in infrastructure, systems and people. The so-called new environment, unlicensed smartphone app developers, is not offering this investment and presence. The hire car market is an excellent example of how supply services honey pots. Take the Canberra Airport away from the Hire Car market and it will be miniscule in size. Other forms of service cannot use the hire car market model for services other than airport pickup and drop off.

ACGL does not consider the ACT deregulation of Hire Cars a market success. All it achieved was the funding of retirees exit from a regulated market. The number of players has not increased, prices have not decreased, service levels are similar and viability is tenuous. Aerial purchased Canberra Hire Cars after deregulation and installed taxi technology in this fleet to maintain its viability. It would have failed without this investment.

Deregulation has many examples of failure in taxi markets around the world generally leading to poorer services, over supply, reduced profitability and higher prices. The NZ market is a prime example where infrastructure investment is stalled due to a lack of viability even in the face of very high taxi prices (More than \$NZ3.20 - \$3.80/klm v \$A2.07 in Canberra). NZ also has the highest taxi Airport tolls charged on both pickup and drop-off (\$5 to \$8 per job - \$3 on pickup in Canberra).

⁷ GST and ride-sharing: Why the ATO believes Uber must pay, The Conversation, May 22 2015.



6. **Page 29** – Equity: How can we have a model that allows innovations but also recognises (historic) regulatory costs borne by current participants?

Response:

Innovation is alive and very competitive in the Canberra market under current regulatory conditions.

ACT Taxi Industry Innovation history

Specifically the ACT Taxi industry was the first taxi organisation in Australia to -

- Adopt swivel seating for disabled passengers in taxis in 1976,
- Adopt stretched vehicles for wheelchair accessibility (early 1980) services,
- Adopt the first ever Australian digital dispatch system in taxis (Motorola) in 1992,
- Adopt taxi camera technology in 2002 (unassisted by Government regulation, funding or regulation),
- Adopt quarterly vehicle inspection in support of annual RTA inspection (Regulatory cost saving to Gov.),
- Adopt MTData digital dispatch in 2005,
- Adopt digital telephony automation IVR and pioneer the using of natural language automation for taxi bookings in 2006,
- Adopt the transfer of all finance transaction commissions to Taxi Operators in 2006,
- Develop and adopt Apple, Android and Blackberry booking Apps in 2010,
- Adopt the first fully integrated web payment model integrated into a hire car dispatch system in June 2015. Migration to taxis is under development.

The ACT Taxi industry is very innovative. After 10 taxi reviews since 1985 the industry is very flexible and very innovative. ACGL developed and implemented (2010) smartphone booking apps in android, blackberry and apple operative systems before any of the big unlicensed players attempted entry into the Canberra market.

ACT Government only need exercise its parliamentary authority to require these new market entrants to comply with existing laws and regulations.

How is it possible for an international corporation to use Australia's telecommunication networks in breach of Australian tax law and State and Territory regulations with impunity? Where is the chain of responsibility and corporate governance fiduciary responsibility incumbent upon directors in the current actions of app TNC's. If ACGL was to advertise an unlicensed service in the Canberra market, past diligence on the part of the regulator would suggest prompt action would be taken. Is this a double standard where International Corporations are above the law?

7. **Page 29** – Equity: How can we maintain or improve service standards to those with a disability or vulnerable people under the new models?

Response:

If the current regulatory framework is restructured to allow these TNC single channel service models to participate in the Canberra market then there is certainty that the honey pot market segments will become saturated with many participants. This means there is little if any scope for any one player to service the non-honey pot market segments. This means Government will face an increased need to subsidise transport services in areas others than the inner city and airport travel markets.

Evidence in the USA shows that services to people with disabilities will decline markedly where TNC ridesharing models are allowed to participate in the taxi market.⁸

Improvements will only be achieved where the ACT Government elects to work with the ACT Taxi industry to bring disability services into the main stream of public passenger transport services. The CTIA WAT model, mentioned above, is fully supported by ACGL.

8. **Page 31** – Competition: Are there regulation-related costs that could be revised, while maintaining equity and a level playing field, in a new on-demand transport environment? What is needed to allow a smooth transition to a new environment?

Response:

ACGL does not accept the argument that there is a new environment; there is only a new marketing message dominated by the self-interest of single market focused investors. Government should look beyond the message and ask for evidence of the investment in Canberra and the long-term public benefit provided.

The financial crisis and changes in Federal policy recently witnessed many business ventures ceasing to operate in the Canberra market. The 51 taxi plates returned to Government in 2012 & 2013 are examples. These services were only shut down because of the flexible leasing rules attached to leased taxi plates, rules that ACGL does not support. These flexible leasing rules are an excellent example of the mismatch between investment in service supply and the need to maintain service delivery. The ACT Government should further consider the recommendation made in Prof D Nicholls' paper⁹ and consider adopting taxi-leasing models similar to those exhibited in NSW and Victoria.

⁸ "Total wheel chair trips declined by 44% between March 2013 and July 2014" Prof G Carrie presentation to the Shared and App Based Transport Innovation Seminar 15/6/2015, page 28.

⁹ An Evaluation of the Current State of the ACT Taxi Industry, Prof D Nicholls ANU College of Business and Economics, June 2014.

9. **Page 39** – Safety and Consumer: Are the features of the new models supporting customer experience and safety in practice?

Response:

No. ACGL hold the view that any move to remove the current Taxi legislation and regulation, adopted as outlined in the 2001 Explanatory Memorandum, without a proper regulatory impact assessment of both the cost and benefits (harm caused) would constitute regulatory negligence.

10. **Page 40** – Safety and Consumer: Should new service delivery methods be treated differently to taxis because they operate within the booked market only?

Response:

No. The Canberra market is too small and this form of segregation will diminish viability for all players. If multiple market segment and model participation is allowed then service delivery performance will be adversely affected. Ultimately the public will suffer from reduced levels of safety, investment and performance. Operator viability for large infrastructure will be removed leaving less flexibility and options available to the general public.

11. **Page 40** – Safety and Consumer: Should supply restrictions be retained in the delivery of rank and hail services? If so, how should future supply caps and releases be determined?

Response:

The 2010 Taxi review provided a recommendation and model. The taxi industry supports this model and the CTIA have invested in independent advice from Prof D Nicholls, ANU College of Business and Economics, to build upon the work done in the 2010 ACT Taxi review.

12. **Page 41** – Safety and Consumer: Should prices be regulated or monitored for new ways of providing services? If there is effective competition in booked services, should maximum prices be removed for this market? Is there a need to maintain maximum prices in the rank and hail market?

Response:

The TCCI model used to set ACT taxi fares for the last 11 years, as explained above sets both the maximum fare and minimum viable fare revenue for a taxi operator and driver. Taxi fares must remain regulated if the Government is to avoid the surge pricing that has been experienced in other cities.¹⁰

ACGL is sure the ACT Government fully understands the extent of community outcry that will eventuate when on Thursday afternoon of a parliamentary sitting week the rush from Parliament to Canberra Airport starts and the standard taxi fare jumps from \$25 to the surge prices of \$87.5 - \$212 plus, because there is excessive demand and limited supply. Clearly this is both illogical

¹⁰ “ 350 to 825 % of the equivalent taxi fare” Prof G Currie presentation Shared and App Based Transport Innovation Seminar 15/6/2015, page 8

and inequitable. Federal and Territory budgets could not justify this level or variability in pricing.

13. **Page 43** – Consumer: Should the ACT Government be acting to reduce surcharge levels? Would the new models provide downward pressure on current surcharge? Should action remain in place permanently?

Response:

No.

Evidence of state legislative actions in the Victorian and NSW market suggests that regulations introduced to limit finance transaction surcharges only removes smaller players from the market thereby enhancing larger participants market share. This removes consumer choice and lessens competition.

14. **Page 44** – Integration: What further opportunities are there with the emerging business models and existing taxi services to support greater integration of transport services?

Response:

Model Convergence - Demand responsive integration between regulated taxi services and Action Buses.

Professor Currie in his presentation, quoted above, makes an argument for transport researches to focus more on the integration of all transport services in a concept called “Modal Convergence”¹¹.

The ACT Taxi industry has promoted the integration of Taxi and Action Bus services for over 20 years. This form of modal convergence is actively supported by ACGL and we invite the ACT Government to open this dialogue seeking new forms of service delivery. This will benefit Canberra’s travelling passengers, ACT based transport service providers (driver and operators), and the ACT Budget. It could arguably give Action Buses a more effective budget with wider community support.

15. **Page 45** – Integration: what further opportunities exist with the emerging business models to support greater integration of interstate services, in particular for scheduled services? Could the new models work with existing facilities and infrastructure? (Competition) What are the implications of new business models for cross border taxi services?

Response:

The new App based TNC models cannot offer anything that is not already in place in the Canberra and Queanbeyan markets.

¹¹ Prof G Currie presentation, page 40



If the arguments put forward in the discussion paper are valid why does the discussion paper stop at just Taxis? Why don't they apply to Action Buses in Canberra and Deanne's Bus routes between Queanbeyan and Bungendore? The answer is the same – if they were viable, then service levels and public safety would diminish.

The Cross Border issue was considered in the 2010 taxi review and the recommendations made have not been considered or adopted. The main reason for this in ACGL's opinion is political difference between NSW and the ACT.

The Queanbeyan taxi market has unrestricted access to the Canberra Taxi market and vice versa. This means many NSW Queanbeyan taxis frequently work and compete with ACT taxis. ACGL actively supports this competition. ACGL applied for and gained taxi accreditation in NSW and owns the Queanbeyan Qe taxi fleet. ACGL offloads between Canberra Elite and Qe to improve service delivery performance for passengers. ACGL recently applied ACT fares to the Qe fleet offering a discount to passengers (NSW fares are higher than Canberra fares).

Cross Border integration could be improved by allowing the Taxi industry to engage with a working group of NSW and ACT regulators in common forum. In this way politics may be minimised and focus given to streamlining operating compliance and removing conflicting regulations.

Appendix A – Summary: Why the Taxi Industry in Canberra does not support the introduction of ridesharing.

Critical issues that can only be addressed by current legislation and regulation (accreditation and Minimum Service Standards)

- Public Safety (driver vocational training, police checks, in car camera, customer privacy)
- Driver Safety and Workplace OHS compliance
- Insurance
- Minimum pickup times, full service 24/7/365 over the whole Canberra market, MSS standards and performance
- Handling of lost property
- Customer complaint handling and privacy
- Data records, reporting to Government and audit verification

The following aspects of current legislation and regulation must be maintained and in some case enhanced and strengthened:

1. In Car Camera systems. – Must be maintained. Also the ACT Government must update its legislation to make this safety feature (The taxi is a workplace and therefore this device is Personal Protective Equipment and an OHS aspect) mandatory on all public passenger transport vehicles. The existing code of conduct must be replaced with requirements equivalent to those adopted in NSW, Victoria and Qld.
2. Panic Alarms and supporting response infrastructure based in Canberra.
3. MSS performance reporting and Chain of Responsibility on owners and directors who are within the reach of the ACT's jurisdiction.
4. Metering, Pricing and Fare approval using a model similar to the existing TCCI.
5. 24/7/365 service with a full range of media used to book, covering all service aspects of the current Canberra market. I.e. no cherry picking or servicing honey pot markets.
6. Booking and hail services need to remain linked because of the size of the Canberra market in order to retain overall commercial viability and service levels.
7. Driver training based on the National standard (ASQA)
8. Operator and Driver accreditation and independent police checks. Linkages to RTA driver licensing.
9. Driver licence requirements (12 months prior experience)
10. Annual data audits via an independent open process to ensure accountability for public service performance.
11. Introduction of Driver logbooks – validation of minimum 10 hour break.
12. Police checks on Directors who hold chain of responsibility for service outcomes.

Appendix B – Separation of Command and Control Issues for Self Regulation.

The following comment is a repeat of information discussed in Aerial’s 2010 submission to the taxi review.

A – those issues that must be maintained by Government to create a market, support industry self-regulation and effectiveness and to promote customer safety:

- Taxi fare maximums and the annual TCCI fare review and approval process,
- Taxi plate releases based on the 2010 agreed formula and the review material submitted by CTIA in 2014,
- Network licensing and accreditation of all PPT service providers,
- Taxi Operator and Taxi driver network affiliation with a licensed network,
- Motor vehicle road worthiness inspections (annually)
- Taxi driver and operator training certification to national ASQA standards.
- Camera code of conduct must be a regulated requirement for all public passenger service vehicles and a standard equivalent to other Australian states.

B- those issues that are needed to manage both the market and a service and which the Government wishes to delegate to the taxi industry under an accreditation and reporting model. (Sample only of matters currently in the Regulation that would more effectively be delegated to a Network i.e. a Co-regulation regime)

- Handling of lost property,
- Air-condition of taxis,
- Taxi network decals and livery approval
- Offensive material in taxis
- Stand-by taxi rules and approvals
- Taxi driver uniforms
- Operator non-compliance notices
- Dress and conduct of taxi drivers
- Acceptance of taxi hiring
- Drinking or eating in a taxis
- WAT taxi driver training, retraining and training exemptions
- Accreditation of Taxi Operators and Operator Service standards
- WAT – WCBS model - see Aerial 2010 submission on how WAT can be managed by the industry.
- Driver Training testing assessments according to RTA rules. (i.e. additional to ASQA requirements)
- Network corporate restrictions on owning and operating a taxi.
- Motor vehicle age limits (note: NZ Airport are mandating a maximum age of 7 years for access to an Airport taxi rank)

Appendix C – Rebuttal of Prof Fels’ presentation

Prof Fels makes the following argument, without supporting data or specific examples, as follows. ACGL provide responses to each of Prof Fels’ comments using specific reference to the Canberra ACT Taxi market.

1. There is massive scope for a less regulated industry to offer a greater number and range of services and to improve quality and variety in numerous dimensions.¹²

Response: -

Prof. Fels comment does not apply to the ACT public passenger transport market for the following reasons:

- This is the eleventh Government led review of taxis since 1985. If Prof Fels is correct then Government’s actions over the past 30 years have been wasted. The industry and we believe the people of Canberra do not see Government reform actions as wasted. Therefore Prof Fels in Canberra context is not applicable.
- The ACT transport market is unique in having a highly variable public demand predominantly influenced by a Federal parliamentary cycle (approx. 80 days per year – peak demand). Over supply in this small but highly variable market will lead to unviable transport operators and drivers and an eventual lessening of services, particularly in low volume market segments. I.e. no one will service non-honey pot sections of the public passenger transport market. (e.g. outer suburbs, disabled travellers, low volume weekend and night work. (11pm Airport arrivals on Sunday night))
- Canberra using Prof Currie’s¹³ definition of a Dry Climate for Taxis is the largest taxi service area with the lowest population density of any city in Australia. For this reason there is no scope for a less regulated industry to offer a greater number and range of services with improved quality. Deregulation of the ACT taxi market will remove the current regulations that require taxis to provide an equivalent service and fare to ALL segments of the Canberra market. Deregulation will thus cause large parts of the Canberra markets to be underserved and unfairly overpriced.

2. Very often deregulation causes a massive expansion of the market (e.g. Telecommunication)¹²

Response:

Deregulation only causes expansion where it unlocks latent demand and/or adds a new dimension to a market. Smartphone innovation is extant within the taxi industry so it cannot offer market expansion. Latent demand within the taxi industry was addressed in the 2010 taxi review and with the return of 51 leased taxi plates to the ACT Gov. there is clearly no unmet demand in Canberra. So Prof Fels’ “very often” clearly does not apply to the Canberra market. If deregulation is considered to be the mechanism that will sustainably lower taxi prices then the following dichotomy needs to be addressed:

¹² Prof Allan Fels – Shared and App Based Transport Innovation Seminar Melbourne Monday 15 June 2015.

¹³ Prof Graham Currie, The Uber Verdict – technology transport and cities, Shared and App Based Transport Innovation Seminar Melbourne 15 June 2015

Pricing Dichotomy:

The antiquated argument of Economists that taxi plates unjustly inflate the price of taxi fares is widely if somewhat erroneously acclaimed. So Governments for years have regulated fare increases to remove or limit the impact of these lease fees. Prof Fels justly claims success here with the decline of Victoria taxi plate prices (\$525,000 to \$280,000). This has also happened via Government reform in Canberra (\$320,000 to \$260,000) mainly associated with the release of 140 Government leased taxi plates at a fixed price of \$20K/yr.

The ACT Gov. pioneered, via the ICRC, the introduction of the Taxi Cost Composite Index (TCCI) in 2004. The TCCI has set the maximum taxi fare for 11 years. The TCCI fare is both the minimum fare amount needed by a taxi to remain viability and the maximum fare allowed by regulation to be levied on a passenger. The TCCI does not accommodate the leasing cost of a privately owned taxi plate it only uses the leasing costs set by the ACT Government.

A dichotomy arises where there is an expectation that deregulation could achieve a price discount on a fare that is set at minimum viability level yet still has the expectation that service and safety can be improved with discounting. Clearly this is illogical in a Canberra context and the concept and debate is only sustained where the facts are ignored.

3. An inward looking industry has not recognised this point.¹²

Response:

The ACT taxi industry has sustained 10 Government Taxi reviews over the past 30 years. This is the eleventh. These reviews have engaged the ACT Taxi industry and forced consideration of technology, service levels and the development of effective Minimum Service Standards (MSS)¹⁴.

The ACT Taxi industry has evolved markedly as a result of these numerous Government reviews and this clearly refutes Prof Fels' claim that the ACT Taxi industry is inward looking.

ACT Taxi Industry Innovation

Specifically the ACT Taxi industry was the first taxi organisation in Australia to -

- Adopt swivel seating for disabled passengers in taxis in 1976,
- Adopt stretched vehicles for Wheelchair accessibility (early 1980) services,
- Adopt the first every Australian digital dispatch system in taxis (Motorola) in 1992,
- Adopt Taxi Camera technology in 2002 (unassisted by Government regulation, funding or regulation),
- Adopt quarterly vehicle inspection in support of annual RTA inspection (Regulatory cost saving to Gov.),
- Adopt MTData digital dispatch in 2005,
- Adopt digital telephony automation IVR and pioneer the using natural language automation for taxi bookings in 2006,
- Adopt the transfer of all finance transaction commissions to Taxi Operators in 2006,
- Develop and adopt Apple, Android and Blackberry booking apps in 2010,

¹⁴ Aerial Capital Group Ltd submission to the 2010 ACT Taxi Review, 21 May 2010.

- Adopt the first fully integrated web payment model integrated into a hire car dispatch system in June 2015. Migration to taxi is under development.

Clearly the local ACT Taxi industries view is it is very innovative and a leader in the Australian taxi and hire Car markets. Apparently this is a very different perspective than that held by Prof Fels.

4. The arrival of ride-sharing services such as Uber demonstrates to the public some of the possibilities in terms of:
 - superior service and drivers;
 - competitive prices;
 - safety;
 - innovation.¹²

Response:

Prof Fels' claim lacks any specific evidence to support its applicability to the Canberra Taxi or Public Passenger Service Market. Ride-Sharing cannot offer a superior service in Canberra. It cannot offer superior drivers. Using the above price dichotomy it cannot offer competitive lower prices without reducing service levels, public safety and/or driver viability. Professor Currie's Dry Taxi Climate concept clearly supports the pricing dichotomy and its impact. Ride sharing cannot offer more advantageous and sustainable innovation to the ACT public passenger transport market without causing harm and deterioration via impacting segments of the Canberra market. I.e. Outer lying Canberra suburbs will experience rapid deterioration of services where ride sharing replaces taxi regulation.

5. There is massive potential for a less regulated taxi industry to serve the community better in a vast range of ways.¹²

Response:

After ten taxi reviews there is little scope in Canberra to accommodate Prof Fels' 'massive potential' and consider service levels or public passenger service issues that have not been previously addressed. The ACT Taxi industry has smartphone booking services, as part of its basket of service offerings, since 2010. ACT Taxi apps use customer rating of drivers and customer registration.

The ACT Taxi industry fully complies with the ACT Government Taxi Accreditation Minimum Service Standards (MSS) and has done so since the adoption of this accreditation regulation model. Prof Fels' view is clearly inappropriate within the ACT context.

6. There has been regulatory resistance to Uber's arrival in Melbourne e.g. the imposition of fines. Apparently there are criminal proceedings in play against certain drivers but the legal outcome is uncertain.¹²

Response: There has been no apparent action on the part of the ACT Gov. or the ACCC to stop unlicensed booking apps working in the ACT market. Specifically Go Catch and Uber. The ACT insurance industry has been effective in highlighting a lack of insurance cover for an

unlicensed and illegal act. One that has not gone unnoticed by many small taxi business service providers.

Government clearly has a challenge in convincing voters and industry participants that it has the ability and will to police illegal acts and prevent harm to the general public where unregulated ride sharing services are offered. Clearly the ACT Government do not have the money or will to police safety in a legal ride sharing market and as such the removal of regulatory protection for the community would be considered as regulatory negligence where harm occurs.

7. The Uber experience indicates the possibility that it can make a major contribution to enhanced courier services, delivery of meals and countless other innovations all over the world.¹²

Response:

This is a subjective statement that lacks evidence and market assessment and given the lack of regulation preventing Uber's move into these markets one would ask why it hasn't happened. There are clearly not barriers to its entry into these markets.

The Uber experience in France, Spain, India, China, and some American states challenges Prof Fels' view of Uber. Additionally the Uber model's disregard for GST, and FWA – NES make it unworthy of Government's support.

8. Disruptive competition is not unusual.¹²

Response: We agree.

9. It has been going on for centuries.¹²

Response:

We agree.

10. The most customary response of disrupted entities is to rush to the regulator and to invoke factors such as safety, health, environment, resource depletion, licensing prerequisites special taxes and so on to inhibit or prevent the change.¹²

Response:

Eleven Taxi reviews mean that this response is unworthy of application in the ACT.

The ACT Taxi industry's performance is one of the best if not the best in Australia. The level of customer complaints is acceptably very low and is well managed by the industry. This reflects a very high level of public support for the taxi industry in Canberra. Certainly the responses to the Uber debate on talk back radio in Canberra suggest a very low level of acceptance for change from the general public.