

14 October 2015

The Honourable Dean Nalder MLA
Minister for Transport
On-demand Transport Reform Green Paper Passenger Services Business Unit
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Dear Minister

RAC's Response to the Department of Transport's Green Paper: On Demand Transport

Thank you for the opportunity to respond to the Department of Transport's Green Paper, *On-demand Transport: A discussion paper for future innovation* (Green Paper). RAC is pleased to provide this response on behalf of its 820,000 members.

RAC works collaboratively with all levels of Government to ensure Western Australians can move around our State using safe, easy, and sustainable mobility options. Our economy and the quality of life Western Australians enjoy are inextricably linked to the performance of our transport system, of which taxis, with more than 13 million trips per year, are a critical but historically under-utilised and poorly integrated, option.

A well-defined roadmap for how we plan and manage the challenges of growth has never been more important and we welcome the release of the Green Paper by the Department of Transport (DoT). The Western Australian (WA) on-demand transport industry plays a vital role in keeping our community moving and can have a role in easing the pressures of congestion and the cost of motoring. A well-functioning on-demand transport industry allows those who would otherwise be isolated without viable transport options to remain mobile and connected with their community while also contributing to the success of tourism and recreation sectors.

The release of the Green Paper is timely and recognises the changes and challenges facing the industry. Taxis are used in more than 4,000 journeys every week but the total number of trips taken is in decline and the recent emergence of smart phone booking applications are putting added pressure on the industry. RAC's 2014, "Taxi User Survey" (RAC Survey) found 84 per cent of respondents indicated they had at least one negative association with the industry and six out of 10 people had experienced a problem with the industry.¹

The RAC commissioned report, *Review of Aspects of the Taxi Industry in Perth and Western Australia* (RAC Review), by Professors Allan Fels and David Cousins released in late 2014

¹ RACWA, (2014), "Review of aspects of the Taxi Industry in Perth and Western Australia: Taxi user survey",
http://rac.com.au/cs/idcplg?IdcService=GET_FILE&dDocName=racstg058177&allowInterrupt=1&RevisionSelectionMethod=LatestReleased&noSaveAs=1

proposed 34 recommendations to Government to ensure Western Australians had access to readily available, high quality services at affordable prices.² Of significance, the RAC Review called for regulatory reform. It identified that legislation pertaining to the taxi industry was overly complex and fragmented being governed by three Acts and at least three sets of Regulations and had not been updated to reflect modern requirements. The industry must be open to change and operate within a level playing field, if the services they provide are to remain relevant and useful to the wider community. The RAC Survey revealed that four in five people would not change their current usage unless changes or improvements were made.

WA is now well placed to achieve substantial reform and by doing so, improve and secure the future of the industry. RAC outlines the following factors to Government as key priorities for reform, particularly as it pertains to the taxi industry and importantly the experience given to taxi users.

Western Australians need an affordable on-demand service

The cost of motoring and the level of congestion continue to rise and Western Australian road users need options beyond their private vehicle to remain mobile. Taxis offer a viable alternative offering point-to-point service much like a private vehicle.

However, the RAC's Survey revealed that cost and lack of affordability was a serious barrier to greater usage, with nearly one in two considering taxis as expensive or costly and around 80 per cent saying they would use taxis more if the fares were lower.

Outlined in the RAC Review, a number of factors have contributed to a higher fare rate and include, the rigidity of the fare setting methodology, and the quantitative restriction on the number of licences available for lease and for purchase. Maximum fares have also continued to increase without regard for changes in demand and the inclusion of the lease value of licences in the calculation of fares has resulted in an estimated 16 per cent inflation of fares above the actual cost. The result is that customers of conventional taxis pay an additional \$3.30 more per average trip.³ Until recently, those who paid by Electronic Funds Transfer were paying up to 10 per cent in fees to Cabcharge, a policy criticised in the RAC's Review, although now capped at five per cent, this rate is far greater than 0.5 to two per cent charged on transactions in other industries.

The Green Paper suggests establishing a single state-wide legislative framework for all on-demand transport services and by doing so provide the industry with a less prescriptive licensing environment. In line with the recommendations made in the RAC Review to have legislation apply across the State rather than having separate legislation, the simplification of the legislative framework governing taxis, and more broadly the on-demand transport network, is supported.

² A. Fels and D. Cousins, (2014), "Review of aspects of the Taxi Industry in Perth and Western Australia", Economic Alternatives, RAC WA

³ A. Fels and D. Cousins, (2014)

The RAC Review also questioned the mandatory need to affiliate with a Taxi Dispatch Service (TDS). Aligned to this, the Green Paper proposes provisions for pre-agreed fares and multi-affiliation with TDSs, whereby the requirement to join a single TDS is removed. This is supported as currently, there is no control over the level or structure of the fees charged by TDS and removing the requirement to affiliate with one will allow price transparency and increase market competition. Importantly, these changes are likely to benefit drivers as well as users as the current system of bailment and licence restrictions has an adverse effect on driver incomes.

Another key recommendation made in the RAC Review was that Government remove the cost category of sub-lease fees and review the annual fee set for the Government plate lease. The Green Paper acknowledges that Government fees and charges create unreasonable barriers to entry and can inflate the price of fares. In a move welcomed by the RAC, the Green Paper proposes fees which are “as low as possible... and set at the cost of regulation”.⁴

RAC made a number of recommendations in the RAC Review, relating to regulatory reform which ultimately, would lead to a ‘fairer deal’ for consumers and we welcome steps toward this in the Green Paper, and call out the criticality of ensuring the robust implementation of these proposals.

Western Australians need a reliable on-demand service

The quality of a service can typically be marked by its ability to cater to the needs of its users. As the title of the Green Paper suggests, taxis are ‘on-demand’ and reliability and availability are therefore indicators of good performance.

When asked about the worst things about catching a taxi, 53 per cent of RAC Survey respondents mentioned reliability and wait times. Of those who had experienced issues in the last 12 months (58 per cent), 47 per cent said their taxi not turning up was a problem to major problem. Given many Western Australians use taxis to get to or from the airport where there is a requirement to be there on time, it is unacceptable that unreliability is an issue which most people seem to have experience with it.

Some companies charge an Advance Pre-Confirmed Booking fee of an additional \$9 to ‘guarantee’ a taxi 24 hours in advance. Unfortunately, although this additional fee may increase the chances of a taxi arriving when requested, it does not guarantee one. For those requiring a Multi-Purpose Taxi (MPT), the issue of reliability is of greater concern. People with disabilities rely on MPTs and currently the rate of MPTs arriving within the target wait time is only 60 per cent. The RAC Review recommends that drivers be given more incentives to service wheelchair users by reducing the Government lease fee for a MPT licence and also by removing unnecessarily prescriptive regulatory requirements. There does not appear to be a clear enough plan to improve waiting times for MPTs in the Green Paper. Government must

⁴ Department of Transport WA, (2015), “On-demand Transport: A discussion paper for future innovation”, p.26, http://www.transport.wa.gov.au/mediaFiles/taxis/TAXI_P_OnDemand_Transport_Green_Paper_discussion.pdf

take steps to improve the current situation including, as outlined in the RAC Review, having one booking service operated by Government (or out-sourced) to manage all MPT bookings. Limiting the number of taxi licences restricts the industry from effectively responding to market needs and the RAC Review has been vocal on this issue. They include the removal of restrictions placed on the number of plates and the percentage of leased conventional licences to total conventional licences. Further, the removal of peak and restricted area licences and conditions relating to shifts was recommended. In turn, the Government proposes to remove existing vehicle restrictions and absorb them into two annual licence types, thereby, creating flexibility for drivers to attend to a greater number of jobs without restrictions, including peak-period and area restrictions.

Changes to legislation and license requirements are likely to have a positive effect on reliability and availability of taxis and this is welcomed.

Western Australians need a safe on-demand service

There are many elements of safety which relate to the taxi industry. It could relate to vehicle safety, as well as safety for drivers and users. As noted in the RAC Review, drivers work in a high risk environment and passenger confidence in the safety of taxis is a critical factor affecting demand.

The RAC Survey revealed that 79 per cent of users feel safe using taxis during the day compared to only 49 per cent feeling safe at night. Safety concerns were stronger among females with 37 per cent strongly disagreeing with the statement, "I feel safe catching a taxi alone at night."

The RAC Review identified that approaches to increasing safety had been relatively ad hoc. The Green Paper proposes a number of measures to mitigate safety concerns including enforcing minimum standards of background checking and training and testing for all drivers. Similarly, ensuring all drivers are subject to a criminal record check and have appropriate extended licences and insurance cover were recommended in the RAC Review.

Vehicle standards are important for the safety of drivers, users and other road users and it is recommended that all vehicles, including commercial ride sharing services should be subject to inspections. The RAC Review also made specific mention that taxi drivers are currently exempt from general requirements relating to the use of child restraints in their vehicles. This needs to be updated in line with empirical evidence which indicates that children who are restrained in a vehicle are better protected in a crash than children without restraint.

RAC supports the Green Paper's proposal to set minimum standards of background checks and, training and testing for all on-demand drivers across WA.

Western Australians need an on-demand service which can remain accountable

In the Green Paper, the Government suggests that the rate of customer complaints relating to on-demand transport has remained unchanged. In the RAC Survey, nearly six out of 10 had experienced a problem or issue when using a taxi in the last 12 months. Complaints about the

driver were the most common (44 per cent), compared to availability/reliability at (23 per cent), and vehicle related issues (22 per cent). Of those who experienced an issue, almost 40 per cent said that it was a problem or major problem for them. It was said that these issues caused stress and anxiety (65 per cent), lost time (46 per cent) and had a financial impact (26 per cent).

Of greatest concern is that despite experiencing issues, most do not file a complaint or report the incident (79 per cent). Only one percent reported the matter to the Department of Transport or to the WA Police and seven per cent referred the matter to the taxi company. When people did make the effort to complain, only 27 per cent of respondents felt that their matter had been resolved, 56 per cent said that the issue or problem was not dealt with or resolved.

The Green Paper's proposal to create an accountability framework where a chain of accountability flows from dispatcher, to licensee, to owner then to driver, should mean that the industry will have more responsibility for ensuring compliance with the standards set by Government. It had been stated in the RAC Review, that there needs to be an independent regulator for taxis and other small commercial vehicles. The Green Paper proposes increasing powers to inspect vehicles, exercise entry warrants, and check registration and other appropriate documents to ensure these standards are met.

We trust RAC's response, which recognises the need for Western Australians to have access to an affordable, reliable, safe, and accountable taxi service, is of use to the DoT in finalising its Green Paper.

Moving forward with regulatory and legislative change is welcomed and in recognition of the need to continue to scope areas for improvement within the industry, a copy of RAC's Taxi User Survey and Industry Review are attached for your information.

Should you require further information, please do not hesitate to contact Advocacy and Members on (08)9436 4111.

Patrick Walker
EXECUTIVE GENERAL MANAGER
ADVOCACY AND MEMBERS