

# The future of Queensland's personalised transport industry

White Paper



## OPPORTUNITIES FOR PERSONALISED TRANSPORT

JULY 2016

The nine icons in our cover logo represent the ideas and concepts we see as critical factors in a sustainable and successful future industry. Each icon represents a number of ideas and concepts, including the review’s five guiding principles. Some of these are outlined below.

Central to the review is the customer, the heart of the personalised transport industry. Meeting the needs and expectations of the customer must be the focus for the industry into the future, and ensuring this can and will happen is critical in our decision-making.



Customer focused  
Customer service  
Public interest  
Community



Sustainable  
Growth  
Improvement  
Business viability  
Solution



Accountable  
Regulated  
Fair  
Compliance  
Customer satisfaction  
Reporting



Affordable  
Value for money  
Savings  
Revenue



Innovative  
Technology  
Ideas



Accessible  
Community  
Disability services  
Mobility



Future focused  
Movement  
Direction



Safe  
Secure



Collaborative  
Competition  
Connecting people  
Inclusive  
Sharing

# Chair's introduction

It is a pleasure to present this White Paper on Opportunities for Personalised Transport (OPT) to the Queensland Government.

The White Paper aims to guide the government through the issues of mapping out a future direction for Queensland's personalised transport industry as well as identifying options and recommendations for its deliberation in order to develop a workable approach to implementation. Early consideration by the Queensland Government and delineation of timelines for implementation will be necessary to provide the business certainty that the industry has asked for.

## THE CHALLENGE

Queensland's current legislation for the personalised transport industry was implemented in 1994<sup>1</sup> with a focus on enabling greater efficiency, effectiveness and passenger safety.

More than two decades later, significant social and technological developments have transformed the lives of Queenslanders, including how we do business and how we move around.

The arrival of new technologies, new business models and new customer expectations, have exposed the inadequacies of the existing legislation, which was designed for a traditional economic model and which did not anticipate the arrival of the sharing economy.

In the review, we were required to determine what form of regulation would capture new models of service delivery, maintain safety standards for customers and drivers, identify appropriate compliance strategies and encourage innovation and competition.

Existing industry participants have been extremely vocal in expressing their concern and frustration about the ongoing operation of ride-sourcing providers in Queensland. However, large numbers of customers have embraced the competition and choice provided by these services.

A pivotal decision has therefore, been whether to use regulation to restrict competition or to facilitate a managed transition to a more competitive market for personalised transport.

## SHARING ECONOMY

The taskforce has thoroughly explored the global nature of the sharing economy, how it is remodelling business and shaping customer expectations across all industries including personalised transport. In this context, we considered whether it may be in the public interest to modify current restrictions within the personalised transport industry and decrease government regulation.

In testing customer sentiment, we discovered a prevailing view that change is inevitable and that industries need to be able to evolve and adapt to change. Through this research, we also found that customers would prioritise reform options that would benefit the majority of society, first and foremost<sup>2</sup>.

Recognising the potential for unintended consequences that can occur through change, the taskforce has consistently prioritised the community interest – the public interest – through the application of the review's five guiding principles – accessible, accountable, customer focused, innovative and safe.

The guiding principles formed the lens through which all the issues identified as part of the review were considered, together with economic analysis and the views presented in submissions.

Our deliberations included comprehensive consideration of responsibilities and accountabilities in the future operation of Queensland's personalised transport industry – in the new sharing economy.

## THE CONTINUUM OF SCENARIOS EXPRESS PERSPECTIVE AND VISION

In our development of a workable approach for the future of Queensland's personalised transport industry, the taskforce considered the broader social and economic environment. In particular, balancing the expectations of customers and the need for government to intervene in matters of public interest, such as safety, as well as ensuring the regulatory framework is flexible enough to meet the challenges of the next five to 10 years.

<sup>1</sup> *Transport Operations (Passenger Transport) Act 1994*

<sup>2</sup> Colmar Brunton, 2016, *Opportunities for Personalised Transport Taskforce, Phase Two: Qualitative Reform Scenario Evaluation*

The four scenarios we presented in the Green Paper reflect the potential continuum of reform levels, from maintaining the status quo (Scenario 1), to legalising ride-sourcing for the booked market in South East Queensland (SEQ) (Scenario 2), legalising ride-sourcing for the Queensland booked market (Scenario 3), and whole of industry reform (Scenario 4).

The scenarios express the perspective and vision that, over time, the personalised transport industry could transition to a fully deregulated market where government only intervenes by establishing mandatory binding standards to ensure that customer accessibility and safety is fully assured.

## CONSULTATION WITH STAKEHOLDERS

Extensive consultation with stakeholders across industry, government and the community helped inform our understanding of what Queenslanders consider most important when it comes to the future direction of the personalised transport industry.

The four scenarios proved helpful in generating discussions with stakeholders. Between 20 May and 12 June, we held three face-to-face forums, opened five online discussion forums, and received more than 1200 submissions from stakeholders across the industry, including users. More detail about our consultation approach is available at Appendix C.

## WINDS OF CHANGE

We listened carefully to the views of the existing taxi industry. While many voices were loud and wary of change, there were a number of industry participants that recognised the growing support for ride-sourcing reflects customer demand for greater choice. These industry participants also called for the removal of existing constraints which are preventing greater innovation and competition amongst all potential participants.

A key challenge for the industry will be to lower its cost structure so that it is in a better position to compete with ride-sourcing. This report, in part, aims to help the industry achieve this.

Research was also undertaken by market research agency Colmar Brunton to discover the sentiments held by Queenslanders about the industry generally and determine their reactions to the four scenarios.

Overwhelmingly, the message from customers was that the current industry needs to adapt. These customers agreed that “change is inevitable, and when that happens industries need to be able to evolve and adapt to change...and that this change is for what is best for society as a whole and will benefit the most [number of] people first and foremost.”<sup>3</sup>

Finally, economic modelling was undertaken by KPMG, detailing the projected impacts for each scenario and informed the analysis of each option.

## WORKABLE APPROACH

The economic analysis undertaken by economic specialist Professor John Mangan, indicates the status quo is not economically sustainable and that the government needs to decide at which point on the continuum to a fully deregulated market would best serve the people of Queensland.

The taskforce has recommended a two-stage approach to reforms which is detailed in this White Paper as a guide for implementation of the Managed Transition Model – a workable approach. Ride-sourcing is recommended to be legalised in SEQ only and is accompanied by a number of reforms that aim to reduce regulation and associated operational costs while at the same time, delivering greater choice to customers.

A new ride-sourcing licence is also recommended to be introduced, and such licence holders will need to be affiliated with a new ride-matching service (RMS) provider. All vehicles used are to be identified as ride-sourcing vehicles.

The taskforce considered that implementing reform in SEQ would allow for a managed approach where implementation could be closely monitored and which also acknowledges the different nature of the taxi industry in regional Queensland. The taskforce also accepts that compulsory affiliation with taxi booking companies continues and that taxi service areas remain in place for a 12 month period. Our feedback from regional Queensland presents a compelling case to retain the status quo or risk the economic viability of existing taxi services in our regions.

Part of this first stage of reform is the creation of an independent Personalised Transport Commissioner (the Commissioner). The role of the Commissioner is critical to the overall managed approach as it would ensure the benefits from reform can be realised and delivered in a timely way, maintaining the momentum of the reform agenda. The Commissioner would also be responsible for overseeing stage two of the reform process.

The taskforce also makes recommendations with respect to:

- the urgent introduction of shared economy legislation to ensure more effective enforcement and compliance of the regulatory framework
- lowering the cost of insurance to the personalised transport sector
- the use of go card and/or any replacement payment system to integrate the personalised transport industry with the public transport system
- considering industry adjustment measures in the context of benchmarks set up by other states and examining more innovative thinking such as Professor Mangan’s option of using a form of floor price mechanism

<sup>3</sup> Colmar Brunton, 2016, *Opportunities for Personalised Transport Taskforce, Phase Two: Qualitative Reform Scenario Evaluation*

- requesting the proposed Commissioner to consider appropriate measures to ensure fairness and equity in driver pay and conditions
- encouraging standards-based regulations rather than prescriptive ones to allow choice and more competition
- lowering fares by aligning payments with the national surcharge standard announce by the RBA.

The taskforce recognises that some industry participants would require improved capability to maximise the opportunities available in a more deregulated market and, no doubt, there would be others that flourish without the current regulatory constraints.

We agree with stakeholders that have expressed the view that the effective enforcement of the government’s regulatory compliance framework is absolutely essential to any effective transitional arrangements.

## LEGISLATIVE FRAMEWORK CHALLENGE

The existing legislative framework for the personalised transport industry reflects the operational environment of the traditional economy and the taskforce has recognised the need for more flexible legislation to meet the needs of the sharing economy and to continue to be relevant in the 21st century.

For example, the legislative framework for the traditional economy does not accommodate mobile apps and booking platforms along with the emerging approaches to compliance which are smarter and technology-based.

The widely held perception that the existing regulatory framework is unable to effectively enforce compliance, has created business uncertainty and loss of confidence in the government’s ability to enforce the law.

The taskforce considers that legislative action by the Queensland Government is urgently required on two fronts.

Firstly, as part of the stage one implementation that legislation should be introduced to create the Commissioner, as this is the first step in creating a change agent to implement the reform model in this White Paper and to provide business certainty to the industry.

Secondly, as part of stage two the Queensland Government should progress with preparing new legislation to implement the reforms proposed in this White Paper to cover the sharing economy, with particular emphasis on penalties to ensure effective compliance and enforcement. Addressing the challenges of effective enforcement and compliance in the sharing economy should also be raised at Council of Australian Governments (COAG) to secure support from the Australian Government where it may be required to legislate to ensure effective enforcement against multinationals and offshore booking platforms.

The taskforce has noted the complexity of existing regulatory arrangements and notes that additional work needs to be developed outside this final report, oversight of which the taskforce has assigned to the Commissioner.

## CONCLUDING COMMENTS

If the government accepts the recommendations of the White Paper, in whole or part, stakeholder consultation emphasised the need for a comprehensive communication strategy to be developed to inform all parties – customers, licence holders, operators, drivers, booking companies and any new entrants such as ride-sourcing licence holders and RMS providers – of any new arrangements.

We would like to express our sincere appreciation to all who have participated in and contributed toward the OPT Review to enable the delivery of this final report.

I would particularly like to thank the other members of the OPT Review Taskforce, Ms Julie-Anne Schafer (Deputy Chair) and Professor Marek Kowalkiewicz (member), various stakeholder groups, the inter-departmental reference committee, and all industry and community members who engaged in our consultation processes. I would also like to acknowledge the dedication and commitment of the OPT Review Secretariat.

At this conclusion of the review, we are pleased to present this White Paper, for consideration by the Queensland Government.



A handwritten signature in black ink that reads "Jim N. Varghese". The signature is written in a cursive, flowing style.

**Jim Varghese AM**  
Chair  
OPT Review Taskforce

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# Acronyms

<b>ACT</b>	Australian Capital Territory
<b>AIS</b>	Approved Inspection Stations
<b>ATO</b>	Australian Taxation Office
<b>BTCE</b>	Bureau of Transport and Communications Economics
<b>COAG</b>	Council of Australian Governments
<b>COI</b>	certificate of inspection
<b>CTP</b>	Compulsory Third Party (insurance)
<b>DA</b>	driver authorisation
<b>GST</b>	Goods and Services Tax
<b>IPART</b>	Independent Pricing and Regulatory Tribunal
<b>MAAL</b>	Multinational Anti-Avoidance Law
<b>MAIC</b>	Motor Accident Insurance Commission
<b>MSL</b>	minimum service levels
<b>NDIS</b>	National Disability Insurance Scheme
<b>NSW</b>	New South Wales
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OPT</b>	Opportunities for Personalised Transport
<b>QRAA</b>	Queensland Regional Adjustment Authority
<b>RBA</b>	Reserve Bank of Australia
<b>RMS</b>	ride-matching service
<b>SA</b>	South Australia
<b>SEQ</b>	South East Queensland
<b>SUV</b>	sport utility vehicle
<b>TBC</b>	taxi booking company
<b>TCFI</b>	Taxi Cost Fare Index
<b>TMR</b>	Department of Transport and Main Roads (QLD)
<b>TSA</b>	taxi service areas
<b>TSS</b>	Taxi Subsidy Scheme
<b>WA</b>	Western Australia
<b>WAT</b>	wheelchair accessible taxi
<b>WAV</b>	wheelchair accessible vehicle

# Definitions

<b>BAILMENT AGREEMENT</b>	The basis of the business relationship between an accredited taxi operator (operator) and an authorised taxi driver (driver). It is an agreement between an operator and driver for the bailment of a taxi and covers what payment will be given by the driver to the operator for the right to bail their vehicle for a period of time, as well as any other entitlements or obligations created and agreed to under the agreement. <sup>4</sup>
<b>BOOKED SERVICE</b>	The provision of a personalised transport service, when the customer has requested the service (via telephone, email, software app, website or other technology) either in advance or for immediate pick-up. In contrast to accessing personalised transport services in person via a rank or hailing a vehicle.
<b>CERTIFICATE OF INSPECTION</b>	Queensland's certificate of inspection (COI) scheme is a periodic or programed inspection scheme for vehicles at high risk of non-compliance with vehicle standards, and/or vehicles with high usage. Taxi COIs are performed at Department of Transport and Main Roads (TMR) workshops.
<b>CONTRACT AREA</b>	<p>A contract taxi service area has the following characteristics:</p> <ul style="list-style-type: none"> <li>• population of 10,000 or more</li> <li>• 10 or more taxi service licences issued to operate in the area</li> <li>• demand for taxi services comparable to other like areas.</li> </ul> <p>Taxis in these areas must have access to a continuously operating dispatch service for the purpose of receiving bookings.</p>
<b>COST RECOVERY</b>	Cost recovery may apply to regulatory and non-regulatory services such as products and information. <sup>5</sup>
<b>DRIVER AUTHORISATION</b>	A qualification that a driver of a motor vehicle providing a public passenger service must attain and maintain to operate the vehicle. The purpose of driver authorisation is to ensure drivers of public passenger vehicles are suitable persons, having regard to the safety of children and other vulnerable members of the community, the personal safety of passengers and their property, public safety and the reputation of public passenger transport. <sup>6</sup>
<b>DYNAMIC PRICING</b>	Also known as surge pricing, this refers to the practice of charging higher prices within the personalised transport industry during peak periods to encourage more supply of service providers.
<b>FIRST AND LAST MILE</b>	The distance an individual must travel in order to access public transport.
<b>INTER-DEPARTMENTAL REFERENCE COMMITTEE</b>	The committee made up of representatives from Queensland Government agencies that provided advice to the taskforce on key matters during the review.
<b>LARGE REGIONAL CENTRES</b>	For the purposes of this paper, large regional centres refers to contract taxi service areas (TSAs) that have significant populations (in excess of 75,000) and a taxi fleet of 50 or more taxis.
<b>LATENT DEMAND</b>	Previously unrealised demand for services that is created by the availability of new services to the market.

<sup>4</sup> Queensland Government, 2011, *Taxi Service Bailment Agreements*, Information Bulletin PT 331/08.11

<sup>5</sup> Queensland Government, 2012, *Principle for Fees and Charges* available at <http://treasury.govnet.qld.gov.au/office/knowledge/docs/fees-and-charges/principles-for-fees-and-charges.pdf>

<sup>6</sup> Queensland Government, 2014, *Driver Authorisation for Scheduled Services*, Information Bulletin PT 302/10.14



<b>LIMOUSINE SERVICE LICENCE</b>	A licence, issued by the chief executive of the department administering the <i>Transport Operations (Passenger Transport) Act 1994</i> under which the holder is required to provide a limousine service in an area that meets or exceeds specified performance levels.
<b>LIMOUSINE SERVICE AREAS</b>	There are five specified areas for which a licence for the provision of limousine services is issued: <ul style="list-style-type: none"> <li>• all of Queensland</li> <li>• Capricornia region only (based around Rockhampton)</li> <li>• North Queensland region only (as far north as Mission Beach and as far south as Cardwell)</li> <li>• Far North Queensland region only</li> <li>• rest of Queensland (excludes South East Queensland (SEQ), Capricornia, North Queensland and Far North Queensland regions).</li> </ul>
<b>PERSONALISED TRANSPORT</b>	As per the review's Terms of Reference, personalised transport services include taxi and limousine services and other services provided for a fare where the passenger determines the destination.
<b>RANK</b>	A designated area where taxis park while waiting for customers.
<b>REST OF QUEENSLAND</b>	For the purposes of this paper, rest of Queensland refers to contract areas with less than 50 taxis, metered and unmetered markets.
<b>RIDE-MATCHING SERVICE PROVIDER</b>	An entity that connects a customer with a driver for the purpose of providing a personalised transport service.
<b>RIDE-SOURCING</b>	A situation in which: <ul style="list-style-type: none"> <li>• a driver makes a car available for public hire</li> <li>• a passenger uses, for example, a website or smartphone app provided by a third party (ride-matching service provider) to request a ride, and</li> <li>• the driver uses the 'car to transport the passenger for payment (a fare) with a view to profit.<sup>7</sup></li> </ul>
<b>RIDE-SOURCING SERVICE LICENCE</b>	A ride-sourcing service licence authorises the holder to provide ride-sourcing services and are subject to certain conditions. A ride-sourcing licence may NOT be leased, sold or otherwise transferred.
<b>SAFETY CERTIFICATE</b>	In Queensland, a safety certificate confirms that a vehicle has passed a minimum safety standard inspection. This inspection covers the basics for the safe operation of the vehicle, such as: tyres, brakes, steering, suspension, body rust or damage, windscreen, and lights. Inspections are outsourced by TMR and performed at Approved Inspection Stations (AIS).
<b>SOUTH EAST QUEENSLAND</b>	For the purposes of this paper, SEQ refers to the Brisbane, Gold Coast, Sunshine Coast, Redcliffe and Ipswich TSAs.

<sup>7</sup> ATO, 2015, *Providing taxi travel services through ride-sourcing and your tax obligations*, available at <https://www.ato.gov.au/business/gst/in-detail/managing-gst-in-your-business/general-guides/providing-taxi-travel-services-through-ride-sourcing-and-your-tax-obligations/>

<b>SURCHARGE (NON-CASH PAYMENT FEE)</b>	<p>a) An amount charged, in addition to the price of goods or services, for the relevant merchant accepting payment through the card transaction; or</p> <p>b) An amount charged for making payment through the card transaction. An amount will be charged for making payment through a card transaction if:</p> <ul style="list-style-type: none"> <li>• that amount is charged because the purchase of the relevant goods or services is affected using the relevant card; or</li> <li>• the goods or services could be purchased from the relevant merchant by a different payment method without that amount being charged.<sup>8</sup></li> </ul>
<b>TAXI BOOKING COMPANY</b>	A continuously operating booking service that is responsible for dispatching and receiving information about bookings.
<b>TAXI SERVICE AREA</b>	<p>There are three types of areas:</p> <ul style="list-style-type: none"> <li>• contract areas (such as Brisbane) – larger areas where taxis must be affiliated with a taxi booking company, and must comply with the maximum fares notice.</li> <li>• metered taxi service areas – metered taxi service licences require the taxi operator to have a fare meter and provide a 24 hour service using a vehicle of not more than six years of age (eight years for a wheelchair accessible vehicle). The fares for metered areas are less than for exempted TSAs reflecting the increased viability of taxi services in these areas.</li> <li>• exempt (non-metered) areas – TSAs have been declared exempt to enable the establishment of a taxi service, which would not be viable if metered taxi licence conditions were to be met.</li> </ul>
<b>TAXI SERVICE LICENCE</b>	A taxi service licence authorises the holder to provide a taxi service in a specific area subject to certain conditions.
<b>TELEMATICS</b>	Telematics is the capture of data within a vehicle and the subsequent use of that data both within the vehicle and remotely. Telematics systems typically comprise an in-vehicle device containing a series of sensors and inputs linked via global positioning systems to a back-office that captures, sends, stores and analyses information electronically. <sup>9</sup>

<sup>8</sup> RBA, 2016, *Review of Card Payments Regulation: Consultation Paper*

<sup>9</sup> NTC Australia, 2014, *Compliance and enforcement framework for heavy vehicle telematics: Policy framework endorsed by the Transport and Infrastructure Council National Transport Commission*, available at [http://www.ntc.gov.au/Media/Reports/\(C5F39CEF-3F43-490C-8D2B-569185379C55\).pdf](http://www.ntc.gov.au/Media/Reports/(C5F39CEF-3F43-490C-8D2B-569185379C55).pdf)

# Executive Summary

The Opportunities for Personalised Transport (OPT) Review was established to develop a model for the future state of the personalised transport industry in Queensland.

It was the role of the OPT Review Taskforce to identify the potential future market state and recommend a workable response including pathways and strategies for implementation.

Industry has reported market uncertainty resulting from the ongoing (unregulated) operation of ride-sourcing in Queensland which has undermined business confidence. Concerns have also been raised about passenger and driver safety in the absence of appropriate regulation of this activity.

Throughout the review, the taskforce has held the public interest at the core of its deliberations and was steered by the review's five guiding principles – accessible, accountable, customer focused, innovative and safe.

The review was informed by economic modelling provided by KPMG, which provided an analysis of the potential impacts that could be expected from the four reform scenarios that were presented in the OPT Review Green Paper.

## MANAGED TRANSITION MODEL – A WORKABLE APPROACH

The reform model endorsed by the taskforce – the Managed Transition Model – a workable approach, recognises that some customers are already taking up the opportunity for more choice available through ride-sourcing. The model prioritises public choice and safety while identifying opportunities to remove overly prescriptive industry requirements in order to reduce regulatory burden for all current and future participants.

In acknowledging the need to ensure the community and industry does not experience any unintended consequences as a result of the proposed reforms, the taskforce has recommended a staged implementation strategy and the establishment of an independent Personalised Transport Commissioner (the Commissioner) to oversee this process. It would be the responsibility of the Commissioner to lead the transition of the industry, review the impacts of these reforms over the coming years, and recommend change where appropriate.

During the first stage of reform, the taskforce recommends that ride-sourcing be introduced into South East Queensland (SEQ) initially, with an option to extend to the rest of Queensland following careful monitoring of the market, particularly the service levels provided in SEQ during this period of market adjustment.

In the proposed model, ride-sourcing licences would be issued for an administrative fee and would require drivers to meet the same background checks and medical fitness standards as other public passenger transport drivers, including taxi drivers. Vehicles would need to be identified to improve safety for customers and visibility for compliance officers. Ride-sourcing vehicles would not be permitted to pick up street hails or passengers from ranks.

In allowing for the introduction of ride-sourcing, the taskforce recommends the creation of a new entity – a ride-matching service (RMS) provider. These RMS providers will be regulated, with obligations to ensure vehicles and drivers are appropriately authorised by the regulator, to deliver customer safety. All ride-sourcing licence holders would need to be registered with at least one authorised RMS provider. All taxis within a contracted area would still need to be affiliated with a taxi booking company (TBC) in the first stage. In the proposed model, drivers would be able to register with more than one authorised RMS provider if they so wish.

It is the taskforce's view that these reforms will see fares in the SEQ booked market for both taxis and ride-sourcing open to market competition while maximum fares continue to be regulated in the rank and hail markets for taxis. The model would provide improved transparency in fare pricing for booked services, allowing customers to effectively identify their preferred service provider.

In line with the review's guiding principle of accessibility, the taskforce has considered that changes to the regulatory framework, if not managed carefully, would have the potential for some groups to be left with reduced services. This would possibly impact transport-disadvantaged individuals, those living in regional areas with limited access or those that live with a condition or disability that limits their access. Therefore, the taskforce recommends that the Commissioner develop a package of measures to incentivise provision of these services, which may also open the market to new specialty disability service providers.

Services provided to customers with a disability are generally specialised and entail costly vehicle modifications which act as a barrier to entry into the market. It is the taskforce's view that enterprises that deliver these services would benefit from increased economies of scale. Consequently the taskforce recommends broadening the existing Taxi Subsidy Scheme (TSS) to limousines and ride-sourcing (within SEQ), allowing personalised transport service providers that can meet the needs of the customer access to this subsidy.

It is also expected that the increased number of personalised transport service providers in a deregulated market will significantly alleviate the 'first and last mile' issues associated with accessing public transport, as well as potentially lower fares. In addition, consideration of providing go card or the next generation ticketing solutions in taxis would improve utilisation of these vehicles. The taskforce also considers that allowing ride-sourcing to operate in areas outside of SEQ where no taxi service currently exists, would provide improved access to transport-disadvantaged communities.

The taskforce has determined that the legislative requirements currently imposed on the personalised transport industry have hampered the ability of the industry to innovate and resulted in a heavy regulatory burden for industry.

A range of recommendations in the Managed Transition Model aim to reduce this regulatory burden and allow greater flexibility for participants to embrace innovation and self-manage performance in areas which are not safety-related.

In order to create a more flexible legislative framework the taskforce recommends that standards for equipment in taxis be reviewed with the aim of reducing prescriptive requirements, allowing for innovation and rapid adoption of new technology.

The taskforce recommends that there be no changes to taxi service areas (TSAs) initially however, following the market adjustment, the Commissioner review the impact of the transition and consider reforms to existing TSAs to allow for more competition and flexibility of service delivery across TSAs.

In the Managed Transition Model, ride-sourcing vehicles would be subject to the same age limits as taxis (six years for conventional vehicles, and eight years for wheelchair accessible vehicles (WAVs)) to ensure customer safety is maintained. Vehicle inspections would be required on an annual basis for all personalised transport vehicles, which is a reduction in regulatory burden for taxis and limousines from the current six-monthly requirement.

Taxi drivers are currently required to complete a number of training modules as part of the driver authorisation (DA) process. The taskforce considers that training drivers to achieve quality service outcomes should be a decision for business operators, not government, and therefore recommends that training requirements no longer be mandated. The exemption to this is mandatory training for drivers of WAVs.

## CUSTOMERS AND STAKEHOLDER PERSPECTIVES

Qualitative and quantitative market research was undertaken in the form of surveys and focus groups to inform the taskforce of community behaviour and views. From this research, it was determined that the overarching concern from a customer's perspective is safety. Specifically, customers are concerned about personal safety as it relates to unknown drivers, vehicle standards, insurance and an ability to track passengers during journeys. Driver safety was also raised as an issue of concern.

The taskforce met with and heard from many stakeholders throughout the review and received more than 1200 submissions in response to the Green Paper. More than 700 submissions were 'campaign' or template letters, representing both taxi and ride-sourcing services.

As part of the submission process, stakeholders were asked to nominate against at least one stakeholder group they identified with. Of the total number of submissions received, 60 per cent were from taxi drivers, and 26 per cent were from taxi or limousine licence holders. Submissions were also received from customers (8 per cent), taxi or limousine operators (8 per cent), taxi booking companies (4 per cent), ride-sourcing drivers (3 per cent), limousine drivers (1 per cent), community advocate groups (1 per cent), carers (1 per cent), industry advocate groups (1 per cent), industry suppliers (1 per cent) and non-users (1 per cent).

## INDUSTRY ADJUSTMENT

Licence holders also contacted the taskforce to express concern about the impact of illegal operators on both the value of their licences and the financial returns being received on their investment.

While much of the public debate around industry reform has focused on the decline in the capital value of licences, these arguments fail to account for the returns that licence holders receive from either leasing or operating their licence.

The taskforce also received submissions detailing the personal financial circumstances of individual licence holders advising that the current market uncertainty is having a negative effect on their financial situations.

The taskforce has developed recommendations for consideration by the Queensland Government on matters relating to hardship and industry adjustment, including consideration of a floor price scheme for taxi licences which may address any potential fluctuations in the market.

In considering the future effectiveness of the implementation of the Managed Transition Model, the taskforce has determined that an industry and public awareness communication strategy would ensure industry and customers understand the requirements and obligations of the new regulatory framework.

Finally, the taskforce expects that the proposed reform program would be significantly progressed within five years, at which time it is anticipated the industry would be operating in an environment where many of the existing market entry restrictions would have been reformed across the state, providing more choice for customers and more flexible employment opportunities within the personalised transport industry.

Following are the 47 recommendations contained in the Managed Transition Model. These are described in greater detail in Section 3 of this report.

## RECOMMENDATIONS

### Market entry

#### **Recommendation 1:**

That ride-sourcing be permitted in SEQ under a new annual licence category issued to the driver who has completed minimum safety checks. The annual fee will be set at a cost recovery level and will also allow for a provisional licence to be issued. The provisional licence will allow for a low cost entry pathway for new drivers. The driver may only use a vehicle that has the correct CTP insurance and registration and meets the regulated safety requirements.

#### **Recommendation 2:**

That ride-sourcing be permitted in areas where no taxi service exists (outside SEQ) as determined by the Personalised Transport Commissioner to enable access to personalised transport services in transport-disadvantaged communities.

## Implementation strategy

#### **Recommendation 3:**

That an independent Personalised Transport Commissioner be established to lead the implementation of the reform program. In line with whole-of-government requirements, the Commissioner must produce an annual report outlining achievements in the preceding 12 months and identifying priorities for the next 12 months.

#### **Recommendation 4:**

That post implementation, the Personalised Transport Commissioner considers the provision of personalised transport services during the first 12 months of regulatory reform, evaluating in particular quality and service levels and at that time, give further consideration to the benefits of merging taxi service areas and further reforms to booking entities.

#### **Recommendation 5:**

That an industry and customer awareness communication strategy be implemented by the Department of Transport and Main Roads, to help personalised transport industry participants and customers understand their new obligations and responsibilities.

#### **Recommendation 6:**

That the Personalised Transport Commissioner prioritise consideration of the current driver conditions within the personalised transport industry to determine the most appropriate course of action in order to develop a framework that will ensure all personalised transport drivers are engaged on fair and equitable terms and conditions.

#### **Recommendation 7:**

That the Department of Transport and Main Roads develops a resourcing strategy for approval by government to ensure effective management of the administrative and compliance tasks associated with new entrants to the personalised transport industry.

#### **Recommendation 8:**

That strong consideration be given to go card (or its successor, the next generation ticketing solution) implementing an integrated payment system as part of the broader public transport system, providing taxis with access to the first and last mile market.

## Industry accountability

### **Recommendation 9:**

That new legislation be enacted for ride-sourcing that creates a chain of responsibility for industry participants and embraces the four principles of focusing on consumers and society, keeping the regulatory framework simple and uniform, considering innovative and flexible approaches to regulation, and using data-led regulation to improve benefits for all.

That the new legislative framework to implement the proposed reforms be prepared as a priority.

### **Recommendation 10:**

That a new regulated entity – a ride-matching service provider – be created with requirements to ensure customer safety, driver safety and accountability. All ride-sourcing drivers must be registered with at least one ride-matching service provider.

### **Recommendation 11:**

That affiliation with one taxi booking company remain compulsory for taxis on the basis that dispatch platforms will be greater in number in the future and will be more competitive, allowing drivers to affiliate with more than one ride-matching service provider, creating opportunities to increase the source of bookings.

### **Recommendation 12:**

That all personalised transport service providers be required to provide data to the regulator to assist with managing the transition. Data requirements to be determined by the Personalised Transport Commissioner in conjunction with the regulator and industry.

### **Recommendation 13:**

That penalties for ongoing breaches of regulatory requirements by taxi booking companies, ride-matching service providers and other industry participants be significant, to ensure industry compliance, and proportionate to the risk posed by non-compliance.

## Fares

### **Recommendation 14:**

That, to provide greater competition, fares for all personalised transport services in the SEQ booked market be deregulated by removing the requirement for taxis to comply with gazetted maximum fares. Fares for the rank and hail market will continue to be regulated. The Personalised Transport Commissioner will monitor deregulated fares and dynamic pricing in the booked market during the first 12 months of operation to ensure customers, particularly the transport-disadvantaged, are not negatively impacted and the Commissioner may re-regulate if required.

### **Recommendation 15:**

That for all booked journeys, a fare estimate must be provided and accepted by customers prior to the journey commencing. That information provided to customers is improved and customers are able to make informed decisions about fare costs by comparing personalised transport service providers using a standard unit price (distance and time). This information must be readily available to customers either online, through booking apps or on a sticker placed on the outside of rank and hail taxis, or other means as determined by personalised transport service providers.

### **Recommendation 16:**

That, during times of declared emergencies, natural disasters or other events as determined by the Queensland Government, restrictions may be applied on dynamic (surge) pricing.

### **Recommendation 17:**

That the Personalised Transport Commissioner investigate the benefits of personalised transport service providers, particularly taxis, aligning their payment systems with the national surcharging standard announced by the Reserve Bank of Australia, which requires smaller merchants to comply by 1 September 2017.

### **Recommendation 18:**

That an outcomes-focused standard for a fare calculation device is developed in consultation with industry, technology providers, customers and government.

## A balanced approach to safety

### **Recommendation 19:**

That ride-sourcing and taxi vehicles' maximum age limits be six years for conventional vehicles (sedan, station wagons, SUVs) and eight years for wheelchair accessible vehicles (aligned with taxi requirements).

Limousine age limits, the 2.8 metre wheelbase and luxury car tax threshold requirements will be removed.

### **Recommendation 20:**

That certificate of inspection requirements for taxis and limousines be decreased in frequency from six-monthly to annually and that ride-sourcing vehicles be required to obtain an annual private vehicle safety certificate from an approved inspection station.

### **Recommendation 21:**

That the Personalised Transport Commissioner develop an outcomes-focused standard for in-vehicle safety equipment for taxis and ride-sourcing vehicles. The standard will be developed in consultation with industry participants, government representatives and technology providers with the objective of reducing regulatory burden for taxis.

### **Recommendation 22:**

That, following the implementation of initial reforms, the Personalised Transport Commissioner undertake a review of vehicle age, safety standards and inspection requirements to reduce regulatory burden and develop a standard that is more responsive to technological advances while maintaining minimum safety standards.

That the Commissioner investigate the need to extend the requirement for independent operation of doors by passengers in ride-sourcing vehicles.

### **Recommendation 23:**

That all personalised transport drivers must hold a valid driver authorisation which entails a valid open driver licence from Queensland (or another recognised jurisdiction), criminal, driver history and medical fitness checks.

### **Recommendation 24:**

That zero tolerance standards for drugs and alcohol will apply to all personalised transport drivers.

That fatigue management requirements will apply to all personalised transport drivers, taxi booking companies and ride-matching service providers in accordance with chain of responsibility requirements.

### **Recommendation 25:**

That all ride-sourcing vehicles be identifiable to improve safety for customers and compliance.

### **Recommendation 26:**

That the Personalised Transport Commissioner, in partnership with the Motor Accident Insurance Commission and the Department of Transport and Main Roads, develop a new approach to CTP insurance that will significantly reduce costs for the taxi industry. This would include considering options to reform current CTP insurance categories and new models for calculating prices using telematics or other measures of usage, such as time and distance travelled.

### **Recommendation 27:**

That as an interim measure, a new CTP insurance category for ride-sourcing vehicles be established and appropriate amendments made to registration requirements in consultation with the Department of Transport and Main Roads.

### **Recommendation 28:**

That all personalised transport drivers and passengers be required to wear seatbelts, with the exemption that drivers not be fined for passengers not wearing seatbelts extended to ride-sourcing drivers. There will no longer be an exemption for taxi drivers not wearing seatbelts.

## Compliance

### **Recommendation 29:**

That the Minister for Transport should, through the Council of Australian Governments (COAG), seek support from other jurisdictions and the Australian Government for a consistent approach to enforcement against off-shore operators and booking platforms.

### **Recommendation 30:**

That the Department of Transport and Main Roads, as the regulator, conduct a feasibility study in partnership with industry to undertake technology-based compliance activities, considering opportunities that exist with telematics and other vehicle-based technology to reduce regulatory burden on industry and enable improved access to data for the regulator.

### **Recommendation 31:**

That the Personalised Transport Commissioner, using data supplied by the Department of Transport and Main Roads, should provide the ATO a list of entities that either hold or have applied for a ride-matching service provider registration on a quarterly basis or upon request. If the Commissioner becomes aware of an entity operating as an ride-matching service provider without appropriate registration, the Commissioner should inform the ATO.

### **Recommendation 32:**

That in the event the Personalised Transport Commissioner receives information from the ATO that an entity holding a ride-matching service provider registration is in breach of its taxation obligations, whether under Multinational Anti-Avoidance Law or otherwise, the Commissioner should cancel the registration.

### **Recommendation 33:**

That the reasons for which the Personalised Transport Commissioner can cancel a ride-matching service provider's registration will be determined in the enacting legislation.

## Industry adjustment

### **Recommendation 34:**

That the Queensland Government consider whether or not to establish a hardship fund for licence holders experiencing significant financial hardship as a result of industry reform, with criteria for eligibility to be determined between industry and government. As part of the hardship fund/assistance measures, the government may also consider facilitating access to financial advice/planning professionals for these individuals.

### **Recommendation 35:**

That the Personalised Transport Commissioner work with the Queensland Regional Adjustment Authority (QRAA) on development of any potential programs including hardship and adjustment.

### **Recommendation 36:**

That the Queensland Government consider whether or not to provide a one-off adjustment payment to individual taxi licence holders to assist and accelerate the transition for incumbents to a new regulatory environment.

### **Recommendation 37:**

That the Queensland Government consider whether or not to ask the Personalised Transport Commissioner to work with Queensland Regional Adjustment Authority (QRAA) to investigate the establishment of any potential floor price scheme for taxi licences to address any potential fluctuations in the market.



## Disability access and mobility

### **Recommendation 38:**

That the Taxi Subsidy Scheme (TSS) be extended to all personalised transport vehicles that can meet the needs of TSS customers.

### **Recommendation 39:**

That the Personalised Transport Commissioner develop a package of measures to incentivise and improve services for customers requiring the use of wheelchair accessible vehicles, including consideration of driver training requirements and the effectiveness of implementing a lift fee.

### **Recommendation 40:**

That all drivers of wheelchair accessible vehicles must complete the training module for provision of wheelchair accessible services for passengers with disabilities.

### **Recommendation 41:**

That the Personalised Transport Commissioner closely monitor the roll out of the National Disability Insurance Scheme (NDIS) to identify any unintended consequences and that a full evaluation of the Taxi Subsidy Scheme be undertaken following the roll out to determine the most appropriate model for the remaining users of this scheme.

### **Recommendation 42:**

That the Personalised Transport Commissioner, through the appropriate inter-jurisdictional mechanisms, seek a review of the Disability Standards for Accessible Public Transport 2002 relating to wheelchair accessible taxis in order to meet the emerging needs of people requiring the use of these vehicles.

### **Recommendation 43:**

That the Personalised Transport Commissioner work with local government authorities to develop a standard providing guidance for inclusion in planning schemes on the location, size and accessibility of taxi ranks on private and local government land.

## Additional reforms

### **Recommendation 44:**

That prescriptive regulatory requirements relating to quality of service (rather than safety) be removed.

### **Recommendation 45:**

That, as a service based industry, all industry participants be encouraged to provide training to ensure quality service, and that current taxi training requirements no longer be mandated by government.




### **Recommendation 46:**

That the minimum taxi driver age requirement be removed, and the existing requirement to have held an Australian licence for a total of at least 12 months in the three years preceding the application date be applied to all personalised transport drivers.




### **Recommendation 47:**

That the Personalised Transport Commissioner consider the role of highly automated and autonomous vehicles in the personalised transport industry and make recommendations for regulations as necessary for public safety.

Table 1: Summary of reforms to the personalised transport industry in Queensland

REFORMS	TAXI	RIDE-SOURCING	LIMOUSINE
 MARKET ENTRY			
Licensing	<b>No change.</b>	Legalise ride-sourcing in SEQ and introduce a new annual licence for drivers. Introduce a provisional three month licence.	<b>No change.</b>
Rank and hail market	Taxis maintain sole access to the rank and hail market.	No access to rank and hail market.	<b>No change.</b>
Booked market	Taxis continue to operate in the booked market.	Ride-sourcing in the booked market in SEQ. Ride-sourcing where approved by Commissioner in areas outside SEQ with no taxi service.	<b>No change.</b>
 INDUSTRY ACCOUNTABILITY			
Taxi booking company	Maintain mandatory affiliation with TBC.	<b>Not applicable.</b>	<b>Not applicable.</b>
New ride-matching service provider entity	Optional registration.	Must register with at least one.	Optional registration.
Compliance and enforcement	Introduce significant penalties for ongoing breaches of regulatory requirements by any service providers.		
Geographic service areas	<b>No change.</b>	Establish a new SEQ area subject to review after 12 months.	<b>No change.</b>
 FARES			
Fares	Maintain maximum regulated fares for rank and hail. Remove regulated fare in booked market.	No regulated fares in booked market.	<b>No change.</b>
Customer information	A fare estimate will be provided and accepted by customers prior to all booked journeys commencing. A standard unit price (distance and time) is made available by providers to customers to improve price transparency.		
Fare calculation device	Develop an outcomes-focused standard for a device that calculates fares.		<b>No change.</b>
Dynamic pricing	Apply restrictions to dynamic pricing during specified times.		
Electronic payment surcharge	Implement RBA's national surcharging framework by September 2017.		

(continued...)

REFORMS	TAXI	RIDE-SOURCING	LIMOUSINE
 SAFETY			
Vehicle age	<b>No change.</b>	Introduce maximum vehicle age limits: <ul style="list-style-type: none"> <li>conventional vehicles (sedan, station wagons, SUVs) – six years</li> <li>WAVs – eight years.</li> </ul>	Remove vehicle age limits.
Vehicle safety checks	Reduce the frequency of existing certificate of inspection requirement from six-monthly to annually.	Introduce annual vehicle safety certificate check.	Reduce the frequency of existing certificate of inspection requirement from six-monthly to annually.
Vehicle equipment (cameras)	Develop an outcomes-focused standard for in-vehicle cameras for taxi and ride-sourcing vehicles.		<b>Not applicable.</b>
CTP insurance	<b>Not applicable.</b>	Establish a new CTP category for ride-sourcing vehicles.	<b>Not applicable.</b>
	Review CTP with the objective of reducing costs for taxis.		
Driver authorisation	Reform driver authorisation requirements.	Introduce driver authorisation requiring criminal, driving history and medical checks.	Reform driver authorisation requirements.
Training	Remove mandatory training and encourage industry to provide service training to drivers.		
Driver age	Remove minimum age requirement – drivers must hold Australian licence for a total of 12 months in the preceding three years.		<b>No change.</b>
Drug and alcohol levels	Implement zero drug and alcohol levels for drivers.		
Fatigue management	Apply fatigue management requirements to all personalised transport industry participants.		
Seatbelts	Apply exemption from fines for passenger infringements to all drivers. Remove exemption from wearing a seatbelt for taxi drivers.		
 DISABILITY AND MOBILITY ACCESS			
Taxi Subsidy Scheme	Extend TSS to all personalised transport service providers who can provide a suitable service for customers.		
Wheelchair accessible vehicle drivers	Mandate training for all drivers of wheelchair accessible vehicles.		
 ADDITIONAL			
Integrated payment system	Implement integrated payment system using go card or its successor.	<b>Not applicable.</b>	<b>Not applicable.</b>

## IMPLEMENTATION OVERVIEW

The taskforce recognises that preparing new legislation to address the sharing economy is complex, requires careful consideration and notes that government and parliamentary processes could take between six and 12 months. However, it recommends that the Commissioner should be established as a priority. The Commissioner would be the change agent and enabler for the reform package.

Following the establishment of the Commissioner, many of the initiatives that would set the platform for further reducing regulatory burden could commence. These initiatives include:

### Implementation strategy

- Considering the current driver conditions within the personalised transport industry to determine the most appropriate course of action in order to develop a framework that will ensure that all personalised transport drivers are engaged on fair and equitable terms and conditions.
- Considering implementation of go card or its successor, the next generation ticketing solution, as an integrated payment system giving taxis access to the first and last mile.

### Industry accountability

- Developing data requirements in conjunction with the regulator and industry.

### Fares

- Investigating the benefits of the personalised transport service providers, particularly taxis, aligning their payment systems with the national surcharging standard announced by the RBA which requires smaller merchants to comply by 1 September 2017.

- Developing an outcomes-focused standard for a fare calculation device in consultation with industry, technology providers, customers and government.

### Balanced approach to safety

- Developing an outcomes-focused standard for in-vehicle safety equipment for taxis and ride-sourcing vehicles.
- Reviewing vehicle age, safety standards and inspection requirements to reduce regulatory burden and develop a standard that is more responsive to technological advances.
- Working in partnership with the Motor Accident Insurance Commission (MAIC) and the Department of Transport and Main Roads (TMR) to develop a new approach to CTP insurance that will significantly reduce costs for the taxi industry.

### Compliance

- Leading the development of a technology-based enforcement and compliance model where government has access to and the capability to use a technology-based approach to support the new regulatory model.

### Disability access and mobility

- Developing a package of measures to incentivise and improve services for customers requiring the use of WAVs.
- Working with local government authorities to develop a standard providing guidance for inclusion in planning schemes on the location, size and accessibility of taxi ranks on private and local government land.
- Working through the appropriate inter-jurisdictional mechanisms, seeking a review of the Disability Standards for Accessible Public Transport 2002 relating to wheelchair accessible taxis (WATs).

## SNAPSHOT OF REFORMS

	TAXI	RIDE-SOURCING	LIMOUSINE
Licensed	✓	✓	✓
Operation in rank and hail market	✓	✗	✗
Operation in booked market	✓	✓ ●	✓
Affiliation/registration for accountability	✓	✓	✓ ■
Deregulated fares	✓ ▲	✓ ▲	✓ ▲
Dynamic pricing restrictions	✓	✓	✓
Vehicle age limits	✓	✓	N/A
Vehicle safety checks	✓	✓	✓
Identifiable vehicle	✓	✓	N/A
Driver authorisation required	✓	✓	✓

Further detail about reforms is contained in the paper ● SEQ only ■ Optional ▲ For booked market in SEQ only

# Section 1

## Introduction

The current legislation for the personalised transport industry in Queensland was implemented in 1994.<sup>10</sup> It was developed to enable greater efficiency, effectiveness and passenger safety in the personalised transport industry.

Since this time, significant social and technological developments have transformed the lives of Queenslanders. Technology has altered many aspects of our daily lives including how we do business and how we move around.

As part of the OPT Review, the taskforce examined the sharing economy, its global expansion and how it is reshaping business models and changing customer expectations across all industries, including personalised transport.

The changing roles and relationships within these new business models are challenging governments which must determine their new approach to protecting the public interest.

Indeed, pivotal to the taskforce's considerations have been questions regarding responsibilities and accountabilities in the future operation of Queensland's personalised transport industry.

The review's Terms of Reference required the taskforce to 'identify what a potential future market state could look like', to ensure all Queenslanders have access to their choice of personalised transport, which is safe, efficient and provided at a fair price. The Terms of Reference for the OPT Review are available at Appendix A.

### 1.1 THE OPT REVIEW

The Queensland Government announced the OPT Review on 7 October 2015. The purpose of the review was to ensure that the regulatory framework for the personalised transport industry supported the delivery of a service that met the needs and expectations of the Queensland community.

The OPT Review independent taskforce is comprised of Chair Jim Varghese, AM, Deputy Chair Julie-Anne Schafer, and taskforce member Professor Marek Kowalkiewicz.

Biographies for each of the taskforce members are available at Appendix B.

As per the Terms of Reference, the taskforce established and sought regular advice and feedback from an inter-departmental reference committee (IRC) on matters of the review as they related to respective agencies. The following Queensland Government agencies contributed through the IRC:

- Department of Communities, Child Safety and Disability Services
- Department of Education and Training
- Department of Justice and Attorney-General
- Department of Science, Information Technology and Innovation
- Department of Tourism, Major Events, Small Business and the Commonwealth Games
- Department of Transport and Main Roads
- Department of the Premier and Cabinet
- Queensland Health
- Queensland Police Service
- Queensland Productivity Commission
- Queensland Treasury.

### Terms of Reference

The Terms of Reference for the independent review noted that the Queensland taxi and limousine industry operates within a protected marketplace, with little fundamental change made to the structural framework in recent decades. The Terms of Reference highlighted that the need for the review was driven by the following:

- the expiration of the Queensland Taxi Industry Strategic Plan 2010–2015
- the emergence of new technology-based innovations that are challenging the current regulatory model
- a visible change in the needs and expectations of consumers using taxi, limousine and ride-share services and the wider community
- recommendations in the Australian Government's Competition Policy Review (March 2015) that industry reform is long overdue and the current regulatory framework could be improved.

<sup>10</sup> *Transport Operations (Passenger Transport) Act 1994*

### *Taxi Strategic Plan*

With the expiration of the Queensland Taxi Strategic Plan 2010–2015, a new vision for personalised transport in Queensland was required. While the OPT Review does not claim to present a new five-year strategy for the state, it does provide substantial direction through the proposed regulatory reforms.

### *Technology-based innovations*

Increasing technological innovation highlighted the need for the OPT Review to consider how the regulatory framework could be adapted so that such advances could be harnessed to improve service delivery for customers and enable the industry to adapt to opportunities provided by technological advances.



### *Community expectations*

Qualitative and quantitative market research was conducted by market research agency Colmar Brunton to gauge customer opinions of personalised transport services and reforms proposed by the OPT Review. The general perception raised by respondents was that the review was heavily industry-focused and did not adequately reflect the customer perspective, nor the public service role the industry provides to the community.

A key message from the qualitative research was that change is inevitable and that industries need to be able to evolve and adapt to change. Further, when customers assessed proposed reforms, their priority was to determine whether reform outcomes would benefit the majority of society, first and foremost.<sup>11</sup>

With the advent of technology-enabled entrepreneurial innovation, such as the sharing economy, it may be in the public interest to modify current restrictions within the personalised transport industry and decrease government regulation.

TMR (as the regulator) seeks quarterly state-wide feedback<sup>12</sup> from customers across all modes of public transport in Queensland. In addition to gaining a better understanding of the level of service provided by the taxi industry, this feedback allows for comparison against other modes of transport using 10 key performance indicators. These indicators relate to customer ease of use, safety and security, comfort, affordability, information, proximity, reliability and frequency, efficiency, accessibility and staff. The results in the October to December 2015 quarter revealed a significant decrease in the proximity, efficiency and staff indicators in the taxi industry compared to the previous quarter (July to September 2015).

### *Competition Policy Review*

A significant body of work has been undertaken looking into the benefits of pro-competition reform in the taxi industry since 1993 (the Committee of Inquiry into a National Competition Policy, also known as the Hilmer Committee) and most recently in 2015, when the Harper Inquiry into Competition Policy was completed.

Throughout the past two decades, these reviews have consistently indicated that increasing competition in the industry would benefit customers as well as the industry through encouraging innovation and the efficient allocation of resources, while ensuring markets are flexible enough to meet the evolving needs and preferences of customers.

## **1.2 THE OPT REVIEW TASKFORCE OBSERVATIONS**

In undertaking the review, a number of matters were identified that did not fall within the review's Terms of Reference, as well as a number of matters that were raised by stakeholders and which the taskforce felt warranted inclusion in this paper. They are discussed briefly below.

### **Industry operational complexity**

The taskforce was astounded at the complexity of the commercial operating environment of the personalised transport industry that is not the direct result of the current regulatory framework. The consensus among taskforce members was that this operational complexity, in combination with the existing regulatory framework, has produced an industry that is very rigid and overly complicated. The combination of these two factors has directly contributed to higher costs for customers.

<sup>11</sup> Colmar Brunton, 2016, *Opportunities for Personalised Transport Taskforce, Phase Two: Qualitative Reform Scenario Evaluation*

<sup>12</sup> TransLink, 2016, *Customer Satisfaction Research 2015/16 Q2*

For example, the number of industry participants associated with a single taxi can include a taxi licence holder, a taxi operator, a taxi driver and a TBC, not to mention equipment suppliers for taximeters, cameras, vehicle livery and in-vehicle EFTPOS machines. The relationships between these participants are subject to both commercial and regulatory requirements.

The taskforce met with and listened to many industry participants and stakeholders. These interactions shaped an understanding of the industry and it became evident to the taskforce that there are diverging perspectives and interests within the industry.

While the taskforce acknowledges that industry accountability is critical to ensure customer and driver safety, the commercial and regulatory regime is cumbersome and restricts the industry's ability to respond to or create opportunities for innovation. Investigation of other jurisdictions showed this regulatory burden to be a common feature of taxi industries in Australia and overseas.

The domestic aviation deregulation case study (see right) demonstrates the effectiveness of targeted industry reform to deliver benefits to customers and the broader economy through increased competition in the market.

## Taxation

The taskforce notes that a large number of stakeholders raised concerns about the payment of tax, in particular payment of GST, by ride-sourcing drivers and multinationals. The taskforce notes that this matter is outside of the scope for this review as taxation is a matter for the Australian Government.

However, the taskforce is aware that the ATO has issued detailed advice to ride-sourcing drivers and required them to be registered for GST from 1 August 2015.<sup>13</sup> The ATO also enacted the Multinational Anti-Avoidance Law<sup>14</sup> on 3 December 2015 to ensure multinationals pay their fair share of tax on profits earned in Australia.

## CASE STUDY – DOMESTIC AVIATION DEREGULATION

In 1952, a two airline policy was implemented by the Australian Government to ensure a monopoly did not prevail in the provision of domestic airline services, while at the same time considering that Australia could not sustainably support more than two domestic airlines.

While proponents argued the success of the two airline policy, citing stability of the industry and a good safety record, consumers complained of the relatively high prices of Australian domestic fares, particularly those who travelled to countries with deregulated aviation industries such as the US, which deregulated in 1978.<sup>15</sup>

In October 1990, the Australian Government deregulated the domestic aviation industry, allowing the market to operate within the constraints of established competition policy controls applicable to industry generally. Its stated objective was to create an environment which would foster:

- increased responsiveness by airlines to consumer needs
- a wider range of fares and types of services to provide enhanced travel opportunities
- increased competition and pricing flexibility leading to greater economic efficiency in the industry
- a continuation of Australia's world-renowned aviation safety record.<sup>16</sup>

The Bureau of Transport and Communications Economics (BTCE) monitored the impacts of deregulation in the domestic aviation industry and published several reviews, which found significant consumer benefits from deregulation, citing:

- lower average air fares
- increased patronage
- increased competition
- improvements in efficiency of carriers
- improved quality of service
- deregulation acting as a catalyst for further aviation reform.<sup>17</sup>

In addition, BTCE estimated the net benefits of interstate aviation deregulation were in the order of \$100 million in the year following deregulation.

<sup>13</sup> ATO, 2015, *ATO provides advice on taxi travel services through ride-sourcing*, available at <https://www.ato.gov.au/Media-centre/Media-releases/ATO-provides-advice-on-taxi-travel-services-through-ride-sourcing/>

<sup>14</sup> ATO, 2016, *Combating, multinational tax avoidance – a targeted anti-avoidance law*, available at <https://www.ato.gov.au/business/international-tax-for-business/in-detail/doing-business-in-australia/combating-multinational-tax-avoidance---a-targeted-anti-avoidance-law/>

<sup>15</sup> Sinha, D. and Sinha, T., 1992, *Regulation and Deregulation of the Domestic Aviation Industry in Australia*, *Conference Proceedings of the Academy of International Business*, p92–96

<sup>16</sup> Bureau of Transport and Communications Economics, 1991, *Report 73: Deregulation of Domestic Aviation – the First Year*. Australian Government Publishing Service, Canberra

<sup>17</sup> Bureau of Transport and Communications Economics, 1995, *Information Sheet 6: Deregulation of Domestic Aviation in Australia 1990–1995*. Australian Government Publishing Service, Canberra

## Government procurement of services

During the consultation phase the taxi industry was complimented for the high level of service it offers customers that require additional service and assistance. In providing these services, the TBC or operator may have to apply through a government tender process.

A number of stakeholders raised the matter of government procurement of services under programs such as the Department of Veterans' Affairs' booked car scheme and the former Home and Community Care Program.

The taskforce acknowledges that there may be potential for introducing more efficient procurement process for these services however, as these services relate to Australian Government funded programs, the matter was considered out of scope.

## 1.3 FLEXIBLE LEGISLATION

Traditionally, government has regulated all aspects of the taxi industry including control of supply through market entry requirements, accreditation of licence holders and operators, authorisation of drivers and quality of service.

The emergence of the sharing economy has challenged industry and government, both of which are hamstrung by the existing legislative frameworks. In determining what needs to be regulated and what is best left to the market to manage, the taskforce closely considered the following areas:

- managing service quality
- safety
- labour relations
- social equity and access
- efficiency
- controls over pricing
- enforcement of standards.

Increasingly, government regulation is focusing on ensuring that public interest is maintained in the area of safety recognising that aspects of quality and quantity of service are best left to the market.

The taskforce acknowledges that the existing legislative framework reflects the operational environment of the traditional economy and recognises there is a need for more flexible legislation that caters for the characteristics of the sharing economy and which is relevant in the 21st century.

For example, the legislative framework for the traditional economy does not accommodate smartphone apps and booking platforms. It also does not allow for technology-based approaches to compliance.

Entities operating in the sharing economy will have to accommodate the requirement for regulators to access data to ensure public safety is maintained.

The taskforce encourages the Queensland Government to consider innovative approaches to the use of data for compliance purposes while ensuring the commercial nature of this information is protected and considers that the Queensland Government's Chief Information Officer should be consulted on this matter.

The taskforce has also noted that opportunities exist for technology to enable self-regulation in the sharing economy. The taskforce believes compliance with regulation should be managed by the entity providing the service, particularly as access to smarter and more sophisticated approaches to auditing can be used to check compliance levels.

Improved sharing of information between customers and service providers has been enabled through peer-to-peer rating systems. The development of public rating systems has created an opportunity for more transparent complaints handling processes and regulation of the sharing economy should leverage from this.

In support of this new approach to regulation, the taskforce endorses the following four principles published by the International Transport Forum of the OECD, to regulate taxis and ride-sourcing<sup>18</sup> in May 2016. The taskforce considers that these principles clearly identify the thinking that is required in any new legislation that provides for the reform of the personalised transport industry. The four principles are:

- **Focus on the needs of consumers and society:** Policy should enable innovations that contribute to policy objectives such as equitable access, safety, consumer welfare and sustainability. This will likely entail lightening market entry controls and fares regulation for dispatched taxi services.
- **Keep the regulatory framework simple and uniform:** Regulators should avoid creating different categories of providers. If differentiations are required these should be made explicit, substantiated and frequently reviewed.
- **Choose innovative and flexible approaches to regulation:** New technology and better data allow targeted oversight of for-hire services. Automated fare data collection for tax purposes, on-board monitoring of vehicle condition, driver behaviour etc. enable better oversight and deliver on policy goals.
- **Use data-led regulation to improve benefits for all:** Offer operators a choice between light and a more burdensome regulatory regime, in return for sharing data that can be used to create benefits for society at large.

In addition, the taskforce considers that an inter-jurisdictional approach is required to ensure that cross-border issues related to off-shore operators are managed consistently across jurisdictions with the Australian Government taking a lead role in legislating where required.

<sup>18</sup> The International Transport Forum at the OECD, 2016, *How should governments regulate ride-hailing apps and taxis?*, available at <http://www.itf-oecd.org/sites/default/files/docs/2016-05-18-cpb-ride-hailing-apps.pdf>



# Section 2

## The continuum: status quo to future state

In the OPT Review Green Paper, released on 20 May 2016, the taskforce examined aspects of the current regulatory regime and the potential future operation of the personalised transport industry in Queensland.

In order to generate community discussion in the consultation phase of the review, the paper presented four scenarios representing a continuum of options – from maintaining the status quo through to a future deregulated market. A summary of the Green Paper consultation undertaken by the OPT Review is available at Appendix C.

In developing the scenarios, the taskforce identified and prioritised matters of public interest, including minimum safety elements across the four scenarios.

The taskforce also investigated the current regulatory burden on the industry and explored ways to encourage innovation in the marketplace.

To support the evaluation of each scenario, economic modelling was prepared by KPMG detailing the economic impacts which could be expected under each reform approach (refer Appendix F). This analysis considered characteristics of Queensland's personalised transport industry, as well as the experience of national and international jurisdictions.

Market research was also undertaken by Colmar Brunton to determine the sentiments of consumers about the industry generally and their responses to questions around the proposed industry reforms.

This allowed the taskforce to confidently work with a range of pragmatic assumptions in deliberating the merits of each proposed approach in the Queensland context.

This section provides an overview of the current industry followed by a description of the four scenarios presented in the Green Paper, including the underlying rationale for each scenario and the summary of feedback received.

### 2.1 OVERVIEW OF QUEENSLAND'S PERSONALISED TRANSPORT INDUSTRY

The structure of Queensland's personalised transport industry is complicated and the relationships between the different participants are complex. Further, while the largest portion of the market is based in Brisbane, it is not representative of the different markets across the state.

Adding more complexity to the Queensland industry is the value chain. The regulatory framework requires industry to comply with specific prescriptive equipment requirements and the supply of this equipment is limited to a few providers. Investment in this equipment can have a significant upfront cost and limits the ability of industry to adapt to or adopt new technology as it becomes available.

The taskforce received a large number of submissions that were critical of the evidence base presented in the Green Paper and has been criticised by industry participants for the lack of rigour and inconsistency in data presented by the taskforce compared to that held by industry. This reflects one of the key challenges for the taskforce as it has pursued an objective evidence-based analysis of this complex industry working with limited data and within a relatively short timeframe.

The taskforce considers that in a future state, all major industry participants must be required to share de-identified data with the regulator to enable an independent assessment of the sustainability of the market and quick identification and response to any market failures resulting from opening of the market to ride-sourcing operators.



**3260**

TOTAL TAXI LICENCES IN QUEENSLAND



**642**

WAT LICENCES IN QUEENSLAND

**583**



LIMOUSINE LICENCES IN QUEENSLAND

## Number of taxi licences

As previously referenced in the Green Paper, as at March 2016 there were 3260 taxi licences in Queensland. Of these, 2618 were conventional taxis and 642 were WATs.

There are a total of 1988 (75.9 per cent) conventional taxis operating in SEQ. Overall, the number of conventional licences in the SEQ region has not increased since 2014.

A total of 451 (70.1 per cent) WAT licences operate in SEQ. This class of taxi has seen significant levels of growth over the last 10 years, predominantly driven by growth in the Brisbane market between 2005 and 2009.

The compound annual growth rate for taxis in Queensland between 2005 and 2015 was 1.2 per cent per annum, which is well below population growth in the same timeframe.

At its peak, licences in Brisbane and the Gold Coast were trading in the secondary market for over \$500,000. Some licence holders have no direct involvement in the operation of the taxi. These licence holders lease their licence to operators and receive a return typically in the order of 5–6 per cent per annum, according to the Black and White Cabs website.<sup>19</sup> Advice to the taskforce from industry stakeholders is that until recently Brisbane lease income has been in the order of \$30,000 per annum. The taskforce has noted this significant cost impost on the industry.

## Number of trips in the booked and rank and hail markets

Data was requested and received from a number of industry participants and from the regulator to inform the economic analysis undertaken by KPMG on behalf of the taskforce. Data was received from Brisbane and Gold Coast TBCs, while regional taxi booking companies were selected at random. A limited data set was also received from the major ride-sourcing operator.

While the taskforce acknowledges that the data received does not represent the entire taxi industry across Queensland, it does provide significant information about the market in SEQ, where ride-sourcing has been operating illegally since April 2014. On the data obtained, it is estimated that the taxi industry provided a minimum of 26.05 million<sup>20</sup> trips across the conventional booked and rank and hail markets during 2015 in SEQ.

In the last five years, the highest level of booked trips occurred during 2012 and totalled 17.48 million trips across the state. Between 2012 and 2015 the number of booked trips declined by 1.28 million or 7.3 per cent across Queensland.

This decrease in trips appears to have coincided with a general decline in the Queensland economy and downturn in the mining sector post-2012. Regions directly linked to mining such as Townsville, Rockhampton, Mackay and smaller regions in the rest of Queensland have also experienced a notable decline since 2012.

In the Brisbane and Gold Coast markets, the impact of ride-sourcing is likely to have also contributed to the decline in the number of taxi trips. However, data provided to the taskforce and substantiated by media reports, pointed to the potential existence of latent demand equating to 1.1 million ride-sourcing trips in 2015 within SEQ.<sup>21</sup>

## Number of limousine licences

As at May 2015, there were 583 limousine licences in Queensland with the majority of these (534) free to operate anywhere in the state. The remaining 49 limousine licences operate in four areas:

- Capricornia region
- North Queensland region
- Far North Queensland
- the rest of Queensland.

Limousine licences are issued in one of two licence categories, which are 'limousine service licences' and 'special purpose limousine service licences'. Since 2007, the limousine market has grown by 110 licences. The majority of this growth has been in the special purpose limousine licence category, which is a significantly cheaper class of licence compared to other limousine licences.

The compound annual growth rate for limousines in Queensland between 2007 and 2015 is 2.6 per cent per annum.



<sup>19</sup> Black and White Cabs, *Buying a taxi service licence*, available at <http://blackandwhitecabs.com.au/brisbane/buying-a-licence>

<sup>20</sup> KPMG, 2016, *Opportunities for Personalised Transport Review Economic Modelling Analysis Report*, p.14

<sup>21</sup> Brisbane Times, September 2015, *Uber racks up 327,000 Gold Coast trips in first year*; Sydney Morning Herald, 22 October 2015, *Uber chalks up 2.5 million rides in Brisbane in just 18 months*

## Cost of enforcement to government

TMR is the regulator of the personalised transport industry, including conducting audits, compliance and reviewing fares and service levels. During 2012, 2013 and 2014, the annual costs incurred by TMR in the enforcement of the regulatory regime varied between \$790,000 and \$905,000.

These costs increased significantly between 2014 and 2015. In 2015, TMR redirected a portion of resources to target ride-sourcing compliance and enforcement activities. The costs associated with limousine compliance and enforcement have also increased over this period.

TMR also manages the vehicle inspection and certification schemes for taxis and limousines to ensure that all vehicles meet minimum safety requirements. These vehicle safety inspections are conducted by accredited examiners. Approved inspection stations (AIS) are located throughout Queensland and they are required to be open to the public to arrange inspections during normal business hours.

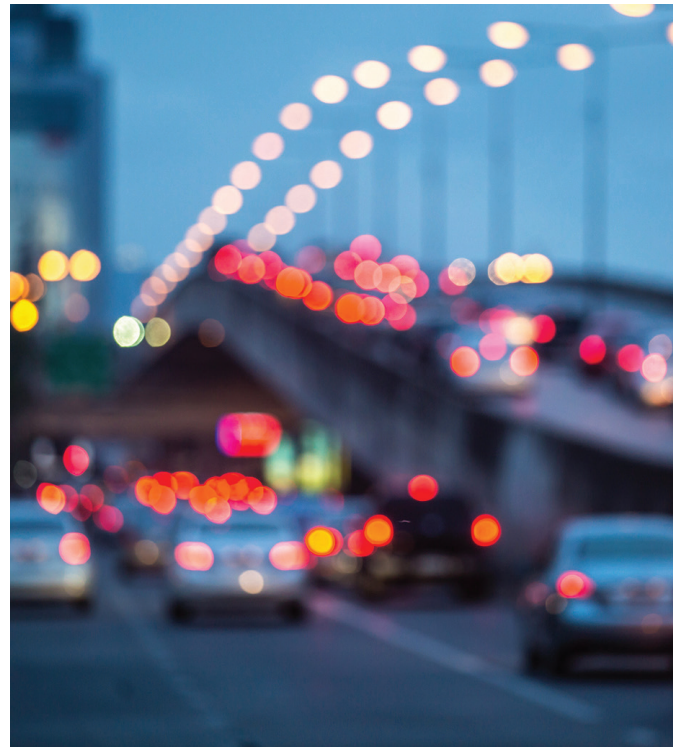


Table 2 – TMR enforcement and compliance costs

QUEENSLAND'S ESTIMATED COST OF REGULATORY OVERSIGHT (2012–15)				
LIMOUSINE	2012	2013	2014	2015
Enforcement cost estimates				
Activities included:				
<ul style="list-style-type: none"> <li>• audits</li> <li>• vehicle safety audits</li> <li>• on road activities.</li> </ul>	\$40,000–\$55,000	\$40,000–\$55,000	\$40,000–\$55,000	\$60,000–\$80,000
TAXIS	2012	2013	2014	2015
Enforcement cost estimates				
Activities included:				
<ul style="list-style-type: none"> <li>• audits</li> <li>• vehicle safety audits</li> <li>• on road activities.</li> </ul>	\$750,000–\$850,000	\$750,000–\$850,000	\$750,000–\$850,000	\$500,000–\$600,000
RIDE-SOURCING	2012	2013	2014	2015
Enforcement cost estimates	NIL	NIL	NIL	\$700,000–\$800,000
TOTAL	\$790,000–\$905,000	\$790,000–\$905,000	\$790,000–\$905,000	\$1,260,000–\$1,480,000

## Government revenue

The Queensland Government has received consistent revenue from the personalised transport industry ranging between \$2.7 million and \$3.9 million since 2010. This revenue has come from three different sources annually<sup>22</sup> and on a recurring basis:

- sale of limousine licences when these are released to the primary market, which has been consistent since 2007
- transfer duty on the sale of taxi and limousine licences in the secondary market
- periodic payments to TMR in the form of driver authorisation, operator accreditation, licence renewals and taxi service contract fees.

### *Sale of taxi and limousine licences in the primary market*

The release of taxi licences to the primary market occurs following an assessment of the market conditions in each TSA by TMR and occurs via a blind auction. In its assessment of taxi licence numbers in Brisbane since 2009, TMR determined that no new taxi licences would be released considering the decline in overall patronage from 2009 levels resulting from the impact of the Global Financial Crisis and consideration of the overall economic climate.

As the government's release of conventional taxi licences has remained largely static in SEQ since 2010 (with one conventional licence released in 2014 and four WAT licences since 2014), the revenue generated through taxi licence sales is not considered a reliable and constant revenue stream. For the purposes of this report, income generated through licence sales is treated as a one-off source of revenue.

The number of licence sales in the special purpose limousine class has been highly variable from year to year. The average annual revenue generated through the issuing of limousine licences from 2007 to 2015 was approximately \$180,000 per annum.

### *Transfer duty on the sale of taxi and limousine licences in the secondary market*

Between 2010 and 2015, TMR received between \$650,000 and \$900,000 from transfer duties charged in the Brisbane market. However, since 2014 the average price and frequency of Brisbane taxi licence transfers has reduced significantly. Revenue generated through transfer duty is expected to be lower in future.

### *Periodic payments to TMR*

The total amount of revenue generated through periodic payments between 2010 and 2015 amounted to between \$2.1 million and \$2.8 million per annum and is attributed to the following:

- driver authorisation (between \$900,000 and \$1.7 million per annum)
- operator accreditation (between \$450,000 and \$550,000 per annum)
- licence renewals and fees (between \$500,000 and \$600,000 per annum).



<sup>22</sup> Revenue estimates do not include vehicle registration costs from taxis, limousines or cars used in the provision of ride-sourcing.

## 2.2 SCENARIOS 1 TO 4

In order to promote a conversation around the future of the personalised transport industry, the taskforce presented four scenarios in its Green Paper. The scenarios are summarised below and include additional analysis that incorporates feedback from market research and consultation, as well as the results of the economic analysis.

KPMG was engaged to undertake economic modelling for the review and prepare an analysis of the potential impacts associated with each of the proposed scenarios.

The KPMG model collated the past performance of 16 economic indicators (or output measures) that characterise Queensland’s personalised transport industry, as detailed in the Table 3 below.

KPMG prepared a baseline of the existing market using these performance indicators and then conducted research on deregulation and entry of ride-sourcing in comparable markets. This informed the generation of a number of assumptions that were co-developed with the OPT Review in relation to the four scenarios presented in this section.

Data was requested from a number of industry participants to inform the review. All TBCs in Brisbane and the Gold Coast were selected in order to provide an overview of key issues. Uber was also asked to provide data to allow for visibility of the overall market in the Brisbane and Gold Coast areas. Regional TBCs and operators were selected at random in order to sample data from a broad cross-section of the state.

Enhanced data collection and reporting from industry on an ongoing basis would provide better visibility of the personalised transport industry across the state. This would enable identification of issues for government intervention. The data sources that were used in this economic modelling included:

- TMR taxi and limousine data
- TBCs
- ride-sourcing provider (Uber six-monthly data and public media statements)
- Brisbane Airport Corporation
- media statements made by stakeholders regarding presence in the market
- international and interstate case studies.

Market research was also undertaken with focus groups during the review. Overall, the primary concern for participants in the focus groups was safety – for both passengers and drivers. While general perceptions of ride-sourcing were that it offers choice, quality customer service and competitive pricing, there were concerns that services are unsafe. The concerns raised about taxi services, despite it being a highly regulated industry, included matters such as driver fatigue, unkempt drivers, roadworthiness of vehicles, drivers in unfamiliar areas, and drivers refusing short fares (among other things).

Ultimately, participants preferred a scenario that provided the fairest outcome for industry, and the best outcome for the general public. They believed that the ideal scenario should provide increased opportunities, with some level of co-regulation to increase accountability and provide competition while maintaining quality and safety standards across industry.

With respect to accountability, focus group participants believed that while ride-sourcing should be legalised, it should be held to the same regulations as other industry participants; concern regarding the removal of TBC affiliation was also raised.

Another major concern raised by focus group participants was that current taxi fares are ‘too expensive for the product’, and there needed to be greater transparency in maximum fares and how they are determined. Some participants felt that the introduction of ride-sourcing into the SEQ market would see more competitive pricing between services, giving customers a cheaper travel option.

Table 3 – KPMG economic indicators / industry output measures

CUSTOMER SERVICE	INTEGRATION AND ACCESSIBILITY	INNOVATION	SAFETY	ACCOUNTABILITY FOR A SUSTAINABLE MARKET
<ul style="list-style-type: none"> <li>• Customer feedback</li> <li>• Booked fare waiting times</li> <li>• Missed pickups, no car available and trips that require a recall</li> <li>• Fare affordability</li> </ul>	<ul style="list-style-type: none"> <li>• WAT availability</li> <li>• WAT waiting time</li> <li>• Fare refusal and rejections</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory burden</li> <li>• Market entry and exit</li> </ul>	<ul style="list-style-type: none"> <li>• Vehicle safety</li> <li>• Driver safety</li> <li>• Passenger safety</li> </ul>	<ul style="list-style-type: none"> <li>• Government revenue</li> <li>• Costs of market entry</li> <li>• Enforcement costs</li> <li>• Vehicle utilisation</li> </ul>

## Scenario 1: Existing industry maintained

This scenario reflects the existing industry as established by the 1994 legislation. A number of barriers to entry are imposed by the legislative framework, as well as significant regulatory burden on service providers. The prescriptive nature of the framework also limits the scope for innovation within the industry.

The market entry restrictions and regulatory burden impedes greater customer choice and the regulatory burden results in customers facing higher prices and longer wait times compared to other jurisdictions where supply is not as constrained.

### Customer feedback

The market research undertaken by Colmar Brunton found that “respondents realise that the current model needs to change, not only to adapt and allow for ride-sourcing but also because of a general consensus that the current regulated taxi industry is not being regulated effectively.”<sup>23</sup>

The current regulatory burden for the taxi industry reflects the taskforce’s assessment that, while the industry generally meets all of the guiding principles, there is a higher level of satisfaction against the ‘safe’ principle, with other performance areas recording lower levels of satisfaction.



*respondents realise that the current model needs to change, not only to adapt and allow for ride-sourcing but also because of a general consensus that the current regulated taxi industry is not being regulated effectively.*



### Economic analysis

KPMG modelling indicates that the average annual number of trips for a taxi (8064) would be forecast to grow if ride-sourcing operators were effectively removed from the market. However, there would be a significant cost in compliance and enforcement activity in order to achieve this.

KPMG modelling also indicates that demand for WAT services grew by 4.3 per cent per annum between 2011 and 2015. This trend reflects that demand for WAT bookings is growing at a faster rate than WAT licences have been issued into the market.

In addition to direct regulatory cost, expenses associated with operating a taxi service (indirect costs) include staff hours associated with handling camera downloads in response to police enquiries, performance data reporting, vehicle standards monitoring, peak demand management plan development, complaints management, and lost property.

A breakdown of indicative fees and charges for taxis, limousines and ride-sourcing is available at Appendix D.

### Market impact

Synergies Economic Consulting's modelling of this scenario identifies approximately \$7 million in costs associated with inefficiencies in the existing market. It is unlikely that customers would gain any benefits from maintaining the status quo due to the costs associated with inefficiencies. In addition, maintaining the status quo could result in foregoing potential patronage growth in the market which could result in additional turnover for the taxi industry of approximately \$160 million per year.<sup>24</sup> For more information, see Appendix G.

### Taskforce considerations

The taskforce notes that industry’s reliance on a regulatory regime that includes quality of service matters, promotes a culture of dependency with respect to quality of service. These matters are best left to industry.

The taskforce considered that this scenario prioritises regulatory compliance over other matters, for example if customer service levels were determined by industry in a more competitive market more differentiated services would develop.

The taskforce considers this approach to regulation is not sustainable and does not allow the industry to innovate and respond to emerging customer expectations and other business models.

While strong views have been presented to the taskforce regarding the potential decline in capital value of licences, this perspective fails to account for the returns that licence holders have generated through lease revenue or the holders' share of annual revenue generated by the licence. The high level of licence values imposes significant costs on the industry that are absorbed by customers.

Although Scenario 1 does not allow ride-sourcing operators access to the market, the taskforce considers that the licence values may not return to the highs observed in previous years, as market participants may view change as ‘inevitable’, adding additional risk and uncertainty to the investment.

<sup>23</sup> Colmar Brunton, 2016, *Focus Groups Report – Opportunities for Personalised Transport*, p.9

<sup>24</sup> Prof John Mangan, 2016, *OPT Review – Taxi licence transition considerations*, Synergies Economic Consulting

## Scenario 2: Reform of the booked market in SEQ

This scenario reforms the booked market within the personalised transport industry by legalising ride-sourcing in a newly defined SEQ service area, consisting of the Sunshine Coast, Brisbane, Gold Coast, Redcliffe and Ipswich TSAs. A new licence for ride-sourcing would be introduced, with renewal on an annual basis.

The existing licensing regime for taxis operating in the rank and hail market within SEQ and regional Queensland (for booked and rank and hail markets) and limousines is maintained.

Mandatory affiliation with a TBC in SEQ is removed. All vehicles are required to comply with existing safety requirements. Prescriptive vehicle requirements for limousines are removed.

An important aspect to the legalisation of ride-sourcing is the requirement for these vehicles to be identifiable either through the use of vehicle signage or branding.

This scenario identifies an intention to transition taxi licence renewals to periodic.

### Customer feedback

The customer perspective, as reflected in the market research, found that “the majority of respondents selected Scenario 2 and 3 as their preferred reform model...as the model [was] flexible enough to allow for evolution and innovation within the industry.<sup>25</sup>” Further, many of the respondents who preferred Scenario 2 suggested it would be “an option to trial the new reform in SEQ before a state-wide roll out”.

“  
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### Economic analysis

KPMG projects that the ride-sourcing industry would continue to grow in SEQ under this scenario and result in the growth of the total number of trips offered by the booked market.

Experience in other jurisdictions, such as Sydney, NSW, and New Orleans, USA, suggests that the legalisation of ride-sourcing would result in an increase in demand for booked personalised transport services. The increasing pool of drivers and vehicles would also increase customer choice. The taskforce notes that an important aspect to the legalisation of ride-sourcing is the requirement for these vehicles to be identifiable either through the use of vehicle signage or branding.

On the available data, a conventional taxi is estimated to provide an average of at least 8064 trips per annum. In comparison, a ride-sourcing vehicle is estimated to provide approximately 285 trips per annum. KPMG modelling suggests that the number of trips per taxi may decline with increased competition from ride-sourcing providers. This assumption is based on the taxi industry’s historical reluctance to compete on price and international experience of charging maximum fares to customers. However, KPMG data analysis identifies that an additional 1.1 million trips were added to the SEQ region between April 2014 and December 2015.

However, KPMG projects existing operators could compete with new entrants for services in this market and retain a significant share of the market. When the maximum regulated fare is set by the government, historical evidence suggests that the industry has not been compelled to compete on price.

KPMG economic analysis also indicates that projected regulator revenue under this scenario would increase with the inclusion of ride-sourcing licensing, and the associated administration fee. The exact increase cannot be reliably projected as it is difficult to predict the future increase in number of active ride-sourcing drivers.

The projected costs incurred by the regulator in this scenario are also assumed to increase by approximately 35 per cent on current costs. This forecast is based upon the enforcement experience in New Orleans, particularly as the requirement to affiliate with TBCs would be removed in SEQ.

KPMG notes instances in international deregulated personalised transport markets where customers experienced reduced access to WATs.

KPMG also notes that between 2011 and 2015, the level of WAT licences per 1000 booking requests in Queensland declined from 1.98 in 2011 to 1.71 in 2015. This decline reflects an increased demand for WAT services and the limited growth in the number of licences released to the market during that period.

<sup>25</sup> Colmar Brunton, 2016, *Focus Groups Report – Opportunities for Personalised Transport*, p.9

While the number of WAT booking requests increased in SEQ at a rate of 5.9 per cent per annum between 2011 and 2015, the number of WAT licences in the SEQ region remained relatively constant. In practical terms, demand grew while supply remained constant.

The international experience in Ireland<sup>26</sup> indicates that the availability of WATs is likely to decrease in a deregulated market. A survey of individuals with a disability in Ireland in 2008 found that 44.4 per cent of people reliant upon a wheelchair on a full-time basis said they could not be provided with the relevant service by the taxi company.

KPMG anticipates that there may be a decrease in WAT availability under Scenarios 2, 3 and 4 because international experience has shown that vehicle owners in deregulated markets optimise commercial returns and select conventional vehicles over more expensive WAT vehicles. KPMG also notes that there is ongoing uncertainty around the subsidies provided to users of WATs and the impact that this will have on demand for WAT trips. Ongoing subsidies in the WAT sector will continue to influence market behaviour.

Drawing from the experience in Indianapolis, USA<sup>27</sup>, between 1994 and 1998, and Victoria<sup>28,29</sup> between 2011 and 2015, there could be an initial increase in the level of feedback and complaints received immediately following deregulation during market transition. However, in the long-term the level of complaints is likely to settle at or below pre-deregulation levels. This has been demonstrated recently in Victoria where customer complaint levels are now lower than at pre-deregulation levels.

### *Fare affordability*

Data provided to the review indicated that the average fare in SEQ cost \$24.70 per trip while the average similar trip for ride-sourcing in SEQ cost \$6.35 less. The taskforce noted that maximum fares are currently regulated by the Queensland Government.

KPMG expects fares to remain constant in SEQ under Scenario 2 and 3 while fares would likely decrease across the state in response to competitive tension resulting from deregulation of the market.

This is based on the international experience in Ireland<sup>30</sup>, Japan<sup>31</sup> and Switzerland<sup>32</sup> that shows markets that have a maximum fare in place, or a market which historically relied upon government direction, did not decrease the cost of fares in response to deregulation. Fares in large regional centres and the rest of Queensland would likely continue to increase in line with historical rates.

### *Market impacts*

Synergies Economic Consulting has estimated the market inefficiencies identified under Scenario 1 of \$7 million per annum are somewhat reduced under this scenario, with customers in SEQ being the main beneficiaries in the form of greater choice, reduced fares and shorter wait times. It is also anticipated there will be additional growth in the booked market in SEQ as new service provision encourages additional customers into the market.<sup>33</sup>

### *Taskforce considerations*

The taskforce noted KPMG's analysis that identified the introduction of differentiated services through ride-sourcing may lead to the release of latent demand and increase the overall market for personalised transport services.

The taskforce also noted that the level of regulatory intervention for the rank and hail market across the state, and the booked market outside of SEQ, would not be appropriate in the long-term as it was unlikely to allow industry to adapt to future challenges and opportunities.

Although there would be a dual regulatory system in place (SEQ and the rest of the state), it would create an opportunity to simplify and reduce regulatory burden across the board particularly with the removal of prescriptive vehicle safety requirements.

The taskforce also noted that under this scenario existing taxi licences would continue to have access to the booked market and would retain exclusive access to the rank and hail market.

Additionally, the taskforce noted KPMG's projected decline of WAT services and that maintaining affiliation of licence holders with a TBC could reduce the risk of accelerating the reduction in the availability of WAT services. The taskforce notes that in developing the workable solution this was an important consideration. The taskforce identified the need to develop a package of measures to incentivise industry to increase services.

<sup>26</sup> Goodbody Economic Consultants, 2009, *Economic Review of the Small Public Service Vehicle Industry*, p.52

<sup>27</sup> OECD, 2007, *Policy Roundtables: Taxi Services – Competition and Regulation*, p.202

<sup>28</sup> The Age, 13 May 2011, *Can't get no taxi satisfaction*, available at <http://www.theage.com.au/victoria/cant-get-no-taxi-satisfaction-20110512-1ekob.html>

<sup>29</sup> Taxi Services Commissioner, 2014–15 *Annual Report*, p.26

<sup>30</sup> Sean D Barrett, 2010, *The sustained impacts of taxi deregulation*

<sup>31</sup> USA Today, 2005, *Japan's taxi drivers feel squeeze*

<sup>32</sup> OECD, 2007, *Policy Roundtables: Taxi Services: Competition and Regulation*, p.184

<sup>33</sup> Prof John Mangan, 2016, *OPT Review – Taxi licence transition considerations*, Synergies Economic Consulting



### Scenario 3: Reform of the booked market across Queensland

This scenario removes market entry restrictions and maximum fares for the booked market across all of Queensland. The requirement to be affiliated with a TBC is removed, allowing all services for the booked market to operate without limitations across the state.

A new licence category is established to accommodate ride-sourcing for booked services and existing prescriptive requirements for limousines are removed, creating an opportunity for them to compete in the on-demand booked market.

The changes to the booked market would provide greater flexibility to enter and exit the booked market according to demand for these services. This would result in greater competition, providing incentives for operators to innovate as the market evolves with the introduction of new technologies and customer demands.

This scenario maintains the existing regulation for maximum fares for the rank and hail market and corresponding TSAs are also maintained.

#### Customer feedback

Market research respondents indicated Scenario 3 as one of their preferred reform models (along with Scenario 2) "...as the model [was] flexible enough to allow for evolution and innovation within the industry".<sup>34</sup> This view aligns with the Managed Transition Model in that it focuses on reforming the booked market while encouraging increased competition and customer choice.

They also raised concern about the removal of the regulated maximum fare particularly in light of media reports of surge pricing occurring in the ride-sourcing market.<sup>34</sup>

Respondents had conflicting concerns that remote areas would not be serviced appropriately or alternatively, that the introduction of ride-sourcing in regional Queensland would take away potential business from the few taxi drivers in town.



*...as the model [was] flexible enough to allow for evolution and innovation within the industry*

#### Economic analysis

KPMG economic modelling indicates that fares may remain flat across Queensland due to the competitive pressures in the booked and ride-sourcing markets. This is on the basis that latent demand to enter the market exists and that markets are of a sufficient size to be subject to competitive tension. The experience

in Sweden highlighted that in an environment with low levels of competition (such as rural areas) and historically suppressed fares could actually lead to fare increases following deregulation. The entry of competition under Scenario 3 is assumed to supply the required competitive tension in Queensland.

The case study from Sweden highlights the importance of customers being informed of fare costs prior to commencing the journey. As the market developed post-deregulation, fares also developed with regional differences reflecting the local conditions.

Ride-sourcing operators would likely expand across the state as individual operators identify opportunities to provide services in specific markets. This would result in an increased demand for drivers, creating employment opportunities in the sharing economy.

KPMG modelling projects that government revenue under this scenario would increase with the inclusion of ride-sourcing licensing and the introduction of the fee associated with ride-sourcing. However, the projected costs incurred by the regulator in this scenario are assumed to increase significantly (approximately 50 per cent).

#### Fare affordability

KPMG anticipates that fares would remain constant across the state as competition enters the market. As previously cited, in international markets where maximum fares were maintained, operators treated the maximum fare as the only fare available to customers with limited evidence of price negotiation.

#### Market impacts

Through additional regulatory reform, Scenario 3 further reduces market inefficiencies beyond Scenario 2 to the benefit of customers all across Queensland. Synergies Economic Consulting has estimated that additional industry output is expected, as the industry becomes more competitive and innovative, resulting in previously unrealised latent demand making use of personalised transport services<sup>35</sup>.

#### Taskforce considerations

Currently, the industry is very dependent on the existing regulation and consequently focuses on compliance. The taskforce looked to the deregulation of the booked market as an opportunity for the broader industry to promote increased competition with likely benefits to be realised by customers to varying degrees across the state.

In line with the previous scenario, the taskforce noted that existing taxi licences would retain some value from continued access to the booked market and having sole access to the rank and hail market.

<sup>34</sup> Colmar Brunton, 2016, *Focus Groups Report – Opportunities for Personalised Transport*, p.10

<sup>35</sup> Prof John Mangan, 2016, *OPT Review – Taxi licence transition considerations*, Synergies Economic Consulting

## Scenario 4: Reform of the industry across Queensland

This proposal considers the reform of industry across Queensland, in both the booked and rank and hail markets. Market entry restrictions are removed and fares are deregulated. The requirement to hold a specified licence is removed however, a safety-focused accreditation scheme is introduced with an associated administration fee.

### *Customer feedback*

Respondents in the Colmar Brunton market research identified Scenario 4 as “too rigid, at the other end of the spectrum...too much of a free for all.”<sup>36</sup> Safety was raised as an issue of concern, along with significant concerns regarding fares when completely deregulated.



*too rigid, at the other end of the spectrum...too much of a free for all.*



### *Economic analysis*

KPMG modelling indicates that projected revenue under this scenario would increase as per the previous scenario with the addition of ride-sourcing licensing into the existing base. However, the projected costs incurred by the regulator in this scenario are assumed to significantly increase by approximately 50 per cent on current costs. This forecast is based upon the enforcement experience in New Orleans when the requirement for affiliation was removed there. The forecast also includes the additional compliance activity required in contract service areas where TBCs currently perform compliance functions. It also estimates an increased compliance burden associated with the state-wide entry of ride-sourcing.

Ride-sourcing operators would expand across the state with the release of latent demand.

### *Fare affordability*

KPMG research indicates the cost of fares would likely decrease across the state as all markets (booked, rank and hail) are deregulated. This is on the basis that latent demand to enter the market exists and that markets are of a sufficient size to be subject to competitive tension.

The removal of a regulated maximum fare would encourage industry competition particularly with respect to price and differentiated service levels (ranging from basic to premium) that would be made available to customers.

In addition to the cost of fares, the level of fare refusals or rejections was identified as a potential issue of concern. TMR data shows there was approximately 183,300 taxi trips in 2015 that were refused or rejected, equating to less than 1 per cent (0.71 per cent) of the total (approximately 26.3 million) taxi trips.

Based upon previous experience in Victoria<sup>37</sup> and international markets (Sweden<sup>38</sup>, Indianapolis<sup>39</sup> and Ireland), KPMG expects that increased competition in the Queensland market would result in lower levels of refusals and rejections however, the percentage base cannot be determined before implementation of all reforms.

### *Market impacts*

Synergies Economic Consulting has estimated that deregulation under Scenario 4 would remove the current inefficiencies in the market and result in a highly competitive environment with more diversity and choice for customers. This scenario would result in a more efficient industry, driven by supply and demand with low barriers to entry, and provide significant flexibility to innovate. However, this may be at the expense of less profitable routes or services.<sup>40</sup>

### *Taskforce considerations*

The taskforce noted that full deregulation would likely result in improved customer outcomes and would also be likely to improve the long-term viability of the industry however, such a dramatic departure from the current regulatory environment could result in unintended consequences for customers. This is why the taskforce, in developing a workable approach, has proposed a managed framework for the industry to ultimately transition towards a more open market entry situation aligned with full reform of the industry across Queensland.

Increasing demand for personalised transport services in regional areas would result in an increased demand for drivers, creating employment opportunities in the sharing economy.

<sup>36</sup> Colmar Brunton, 2016, *Opportunities for Personalised Transport Taskforce, Phase Two: Qualitative Reform Scenario Evaluation*, p.9

<sup>37</sup> Taxi Services Commission, *2014–15 Annual Report*

<sup>38</sup> OECD, 2007, *Policy Roundtables: Taxi Services: Competition and Regulation*, p.175

<sup>39</sup> Sean D Barret, 2010, *The Sustained Impacts of Taxi Deregulation*

<sup>40</sup> Prof John Mangan, 2016, *OPT Review – Taxi licence transition considerations*, Synergies Economic Consulting

# Section 3

## Managed Transition Model: a workable approach

Other industries in Australia have previously undergone significant reform to improve their opportunities to compete with international market participants.

Many of the National Competition Policy reforms were aimed at achieving this outcome with a key principle of the program being that competitive markets will generally serve the best interests of customers and the wider community. The entrance of international operators competing illegally within the personalised transport industry has once again highlighted the challenges faced by highly regulated industries.

Recognising the potential for unintended consequences that can occur through change, the taskforce prioritised the community interest—the public interest—at the core of its deliberations and embodied this through the application of the five guiding principles – accessible, accountable, customer focused, innovative and safe.

In developing the Managed Transition Model the taskforce balanced the need to reduce regulatory burden for the existing taxi and limousine industry with the many divergent views of the community. The model proposed is a workable approach that legalises ride-sourcing in SEQ and maintains safety through the creation of more outcomes-focused standards. It also enables more competitive pricing in the booked market and ensures industry accountability for new entrants by regulating ride-matching service providers. The model sets a pathway to the future where the cost and regulatory burden for the existing industry is reduced enabling it to operate more competitively.

Effectively, the workable solution would best be described as positioned between Scenarios 1 and 2 on the continuum that was described in the Green Paper.

Ultimately, the taskforce held the view that the long-term objective to create a more competitive personalised transport industry would require significant deregulation, more aligned with Scenario 4 in the Green Paper. In developing the Managed Transition Model the taskforce recognises that this approach is the first step towards a successful transition of this complex, multi-layered industry.

The taskforce strongly believes that this transition will require leadership from a dedicated change agent to set direction, manage and monitor implementation and provide a central point of reference for the personalised transport industry. A key recommendation supporting the implementation of this model is the appointment of an independent Personalised Transport Commissioner to provide a single point of contact for industry stakeholders throughout the proposed reform process.

In developing this model, and to balance the views of industry with those of the customer, qualitative and quantitative research was undertaken throughout May and June 2016. The purpose of this market research was to gain an understanding of customer attitudes and usage patterns of personalised transport, as well as testing reactions to the potential reforms to the industry.

The primary concern raised by respondents was safety. Specific issues raised included personal safety in relation to unknown drivers, vehicle standards, insurance and an ability to track passengers during journeys. Driver safety was also raised as an issue of concern.

Implementation of the Managed Transition Model is expected to deliver Queensland customers greater choice and an ability to compare different personalised transport modes and fee structures. The taskforce also recognised that, while customers may benefit from greater choice and competition, the burden associated with regulatory change would be felt most heavily by those who had previously benefitted from market protection.

The taskforce considers that these market participants would also benefit from reform where they have a reduced regulatory burden as well as greater flexibility and choice in determining how they operate their business. This includes how and where to allocate capital to invest in the personalised transport industry.

The taskforce believes that, irrespective of the approach taken by government, there is a need for the existing taxi industry to significantly reduce its cost structure. A significant barrier to this is the current market value of taxi licences and the secondary lease market that has evolved over time. The end result is that customers have been paying a higher price for industry regulation.

A number of international case studies have informed the development of the Managed Transition Model. A summary of these case studies is available in the KPMG report at Appendix F.

## 3.1 THE MANAGED TRANSITION MODEL IN MORE DETAIL

### Market entry

One of the biggest issues that the taskforce has deliberated over has been that of market entry through licensing, particularly as it relates to the previously- unlicensed operation of ride-sourcing.

In order to promote more competition in the market and greater choice for customers in the personalised transport industry, the taskforce has determined that ride-sourcing should be legalised and appropriately licenced. Other requirements placed on ride-sourcing providers and RMS providers are explored in detail below.

In the proposed reform model, annual ride-sourcing licences would be introduced in SEQ, allowing access to the booked market. These licences would be issued to a driver and would require them to use a vehicle that has been registered for ride-sourcing, meets vehicle safety requirements and complies with all CTP insurance requirements. The cost of the ride-sourcing licence would be on a cost-recovery basis.

Ride-sourcing licences would not be transferrable or able to be leased however, drivers would be able to lease vehicles, provided vehicles comply with safety standards and CTP insurance requirements.

The number of ride-sourcing licences would not be capped, as some drivers may choose to offer ride-sourcing services full-time, while others may choose to operate on a more flexible or part-time basis. Support for this flexible model was provided during the consultation period when submissions were received from a number of ride-sourcing drivers detailing their own personal circumstances and the benefits that this flexible model provided for them. The capping of licences could also possibly result in another market developing.

The taskforce determined that while ride-sourcing should be licensed, it would be important to provide a flexible model that allows for a low cost entry model through a provisional licence. Issued provisionally for three months, this licence could then be converted to an annual licence through the payment of the appropriate fee.

In the future, the licensing regime could be dynamic and be based upon the number of hours the licence is used.

It is the taskforce's determination that ride-sourcing drivers should not be permitted to pick up passengers from designated taxi ranks. This would be supported by a new regulatory framework ensuring ride-sourcing drivers do not offer rank and hail services. The taskforce is aware of the complexity of enforcing these requirements however, the Managed Transition Model requires that all bookings be undertaken through a registered RMS provider.

The taskforce has heard anecdotally that cash transactions are occurring between illegal ride-sourcing drivers and passengers. In addition to offence provisions, a customer awareness communication strategy would ensure customers were alerted to the safety risks of entering a vehicle without a prior booking, where there is no record of the transaction.

Additionally, the taskforce recognises that some regional communities do not have access to personalised transport services and suggests ride-sourcing could be introduced to these communities where no taxi service exists.

The majority of submissions expressed a view that the review was primarily about market entry. Existing taxi and limousine industry participants advocated for the status quo, while technology development companies and ride-sourcing advocates strongly advocated for the legalisation of ride-sourcing.

The views of customers were mixed, with some acknowledging the dependable service of the taxi industry while others were energised by the potential for greater choice through the legalisation of ride-sourcing.



*“Ride sharing” must not be legalised in Queensland as it offers no net benefit to the Queensland community and represents a major economic, social, fiscal and regulatory risk to the State and to Queenslanders.”*

(Industry advocate group, June 2016)



*“I would like to have ride-sharing as long as they had the same rules as taxis and go through background checks on drivers”*

(Market research, June 2016)



*“There will be competitive pricing between taxis and Uber. Consumers will then have a cheaper option. I can also be sure that all drivers are regulated. It gives me peace of mind”*

(Market research, June 2016)

#### **Recommendation 1:**

That ride-sourcing be permitted in SEQ under a new annual licence category issued to the driver who has completed minimum safety checks. The annual fee will be set at a cost recovery level and will also allow for a provisional licence to be issued. The provisional licence will allow for a low cost entry pathway for new drivers. The driver may only use a vehicle that has the correct CTP insurance and registration and meets the regulated safety requirements.

#### **Recommendation 2:**

That ride-sourcing be permitted in areas where no taxi service exists (outside SEQ) as determined by the Personalised Transport Commissioner, to enable access to personalised transport services in transport-disadvantaged communities.

## **Personalised Transport Commissioner**

As part of developing a pathway and strategies for implementation of the future market state, the taskforce has recommended reforms be implemented in the short, medium and long term as the industry adapts to change. In order to ensure momentum for reform can be maintained over an extended period the taskforce recommends that an independent Commissioner, reporting to the Minister for Transport, be appointed and tasked with managing the implementation program.

It is proposed that the Commissioner would provide oversight to the reform process using an evidence-based approach to implementation, ensuring that unintended consequences can be monitored and addressed as appropriate, either through regulatory or policy changes. The Commissioner, with the support of an advisory board consisting of industry, customer and government representatives, could provide a whole-of-government focus and a single point of contact for industry throughout the reform process.

The benefit of appointing the Commissioner would be in ensuring the proposed reforms can be implemented in a timely and responsive manner and to provide industry confidence in the long-term future of the personalised transport industry. Industry has consistently advised the taskforce that market uncertainty resulting from the ongoing operation of ride-sourcing has undermined its business confidence.

It is proposed that the Commissioner would lead the reform of the personalised transport industry by working collaboratively with industry, customers and government to remove prescriptive regulatory requirements. The Commissioner will also lead the development of a technology-based enforcement and compliance model to support the new regulatory model.

It is estimated that the establishment of the Commissioner and a small team will cost approximately \$2 million per annum, this will be sourced from hypothecation of revenue from the issuing of ride-sourcing licences and other incoming revenue associated with the new regulatory model.

The taskforce recommends that the Commissioner work closely with the regulator and the Queensland Productivity Commission (QPC) as required to ensure the results of reforms reflect policy objectives, and that the new regulatory framework supports the delivery of a service that meets the needs and expectations of the Queensland community. The taskforce also considered that the QPC could work in partnership with the Commissioner to complete productivity reviews of the industry 12 months, three years and five years into implementation.

The taskforce considered that the length of time since the industry was last reformed, relative to other industries, meant a strong reform implementation program was required. It was the taskforce’s determination that, while TMR has the ability to manage stakeholder relationships and detailed knowledge of the existing industry and regulatory framework, embedding such a complex and contentious reform program within the department could risk it losing momentum.

The taskforce considered that the Commissioner would provide an opportunity for industry to work with government and to have more direct access to the Minister for Transport as the reform program progresses. A number of industry stakeholders indicated strong support for the appointment of an independent regulator using a model similar to the Taxi and Limousine Commission in New York. While the taskforce did not identify a need for an independent regulator, it did consider that a Commissioner leading the reform effort would provide significant benefits for government and industry.

The majority of submissions that addressed the creation of a Commissioner were generally supportive of the proposal.



*“Take this opportunity to form a “Public Transport Commission” or “PT for QLD” and bring together the current resources and responsibilities of Translink, Queensland Rail, Brisbane Transport and the Taxi division into one cohesive unit.”*

(Personalised transport user, June 2016)



*“At your forum for public debate, you suggested a Commission headed by a Commissioner. This I believe could be a good model to allow innovation and improvement in the industry. However I have a fear of this creating another level of bureaucracy with increased costs/overheads. We currently have a Department of transport with all the tools and assets required for the job.”*

(Licence holder, June 2016)



*“The Taxi Commission should itself involve a two tiered arrangement of*  
*(a) a ‘hands-on the wheel’ overseeing of industry affiliation processes and issues as well as on-going monitoring and adjustment of taxi numbers and fare levels where needed, and*  
*(b) an overall ‘hand-on the wheel’ guidance by a genuinely independent professional board of ‘macro stakeholders’ from government, business, and the community as well as from the industry [with its terms of reference and responsibilities simplified and sufficiently/reasonably triangulated re: the transparency-technology-market formula.”*

(Driver advocate group, June 2016)



*“This body will be well placed to ensure that future regulation is fit to meet new challenges but to do it in a way that does not dilute the hard won network and service standards...at the heart of the current services”*

(Market research, June 2016)

### **Recommendation 3:**

That an independent Personalised Transport Commissioner be established to lead the implementation of the reform program. In line with whole-of-government requirements, the Commissioner must produce an annual report outlining achievements in the preceding 12 months and identifying priorities for the next 12 months.

## **Industry accountability**

### *Ride-matching service provider*

The introduction of the ride-sourcing model has challenged the traditional TBC model and customers have embraced the apps used to book these services. The end-to-end service offered by ride-sourcing providers has provided a product that customers have differentiated from traditional taxi services. This includes booking apps that provide for customer and driver rating, seamless payment systems, transparent fares and marketing strategies that reward driver and customer participation on the platform.

The taskforce is aware that, prior to the introduction of these booking apps, taxi drivers were able to source work through their own channels, for example developing a customer base with regular customers. The entry of these apps uses technology to build on this model, more easily providing drivers with the ability to source additional jobs and empowering both drivers and customers in the transaction to secure transport services.

The taskforce recognises that a new more flexible approach to regulating the personalised transport industry is required in keeping with the principles outlined by International Transport Forum<sup>41</sup>, and that the future regulatory framework should be simple and uniform for all providers. The approach would focus on regulating functions rather than the entity undertaking them, allowing for new business models to emerge as the industry evolves. The new regulatory framework should be performance-based and rely on data access to enable a ‘lighter touch’ regulatory model.

It is the taskforce’s view that the function that requires regulation is that of matching a vehicle to a customer and that, when this function is undertaken, it should comply with a core set of obligations that maintain safety.

To enable this to occur as a first step, the taskforce proposes that a new regulated entity – a RMS provider – be created and required to be registered to operate in Queensland. The RMS provider would include organisations that match taxi or ride-sourcing customers with drivers through app-based platforms or other future technology. The taskforce believes that, in the long-term, a new more flexible regulatory framework will be required.

In the Managed Transition Model, all registered organisations providing a matching service to either taxis or ride-sourcing would be required to fulfil corresponding obligations to undertake the service in Queensland.

<sup>41</sup> The International Transport Forum at the OECD, 2016, *App-based Ride and Taxi Services*, available at <http://www.itf-oecd.org/app-based-ride-and-taxi-services-principles-regulation>

The regulation of these new RMS providers is an important first step in the transition to a new regulatory framework that is simple and uses opportunities available through data sharing for more innovative approaches to regulation. This reform would allow for more flexibility within the industry and encourage adaptability of business models. The new legislative framework would clearly define the functions that require regulation instead of focusing on the business model.

The taskforce recommends that licensed ride-sourcing drivers be aligned with at least one RMS provider to ensure an appropriate level of accountability.

Requirements for limousine service providers would not change under the Managed Transition Model. Limousine operators are currently able to register with online or app-based booking services and this would continue into the future.

RMS providers would have a number of responsibilities to ensure that all entrants in the market are captured by the regulatory framework and comply with regulatory requirements, including:

- customer service
  - lost property
  - transparent customer complaints management process, including disputes related to peer-to-peer rating systems
- safety
  - driver authorised by government
  - vehicles meet regulatory safety standards, and have correct CTP insurance
  - taxis are licensed and meet all safety requirements
- accountability
  - a Queensland registered office
  - transparent driver complaint management process
  - disclosure of fares
- other matters as determined by the regulator.

### Taxi booking company affiliation

The taskforce determined that the current role undertaken by TBCs in Queensland is critical within a traditional economy model and should continue to provide services to existing taxi operators while a new regulatory framework should be created for the sharing economy.



TBCs provide a link between passengers and vehicles and are required to administer taxi services in accordance with minimum service levels (MSLs). TBCs manage and schedule their taxi fleet to meet MSLs, manage driver fatigue and ensure that suspended or cancelled drivers do not drive.

TBCs manage customer complaints, undertake vehicle maintenance and repairs, assist police with security camera downloads and administer reimbursement of TSS claims. TBCs also currently deliver mandatory training for drivers; although this would be revised under the Managed Transition Model. More information regarding driver training is contained in the 'Driver training and driver screening' section below. A list of functions currently undertaken by TBCs is available at Appendix E.

TBCs charge taxi operators a fee for administering taxi services in a manner that meets regulatory requirements and to secure bookings for the vehicle assigned to the taxi licence. This charge is negotiated between the two parties and can vary across booking companies. The taskforce understands that affiliation costs are generally a flat fee and not linked to the number of bookings provided to a taxi. The taskforce also noted that the Western Australia (WA) regulator has chosen to leave this fee as a commercial decision but encouraged industry participants to move to a more performance-based fee structure.



In determining to maintain mandatory affiliation with TBCs, the taskforce took into consideration the functions undertaken by TBCs, particularly their contribution to the operational efficiencies of taxis.

Extensive feedback from industry stakeholders reinforced the importance of maintaining mandatory TBC affiliation to ensure service levels for vulnerable community members are retained and to assist with the co-regulation of the industry.

The taskforce also considered the views received from drivers and taxi operators that the industry would benefit if existing TBCs were subject to more competition. While the taskforce acknowledges the important role played by TBCs in ensuring service provision across TSAs, it also considers that more competition in the market would deliver improved customer choice and standards for all customers in the long-term. It also has the potential to reduce costs for taxi licence holders, operators and drivers.

For taxis, the current affiliation requirements with a TBC would be retained in the first stage of reform under the Managed Transition Model. However, taxi drivers would also be able to source bookings through RMS providers.

The taskforce proposes that the current regulatory requirements for operator accreditation for taxis and limousines would remain during the first stage of the reform process, but the role of operators in ensuring accountability should be further reviewed when the role of booking entities is reformed at a later stage.

In forming this recommendation the taskforce noted that in the Australian Capital Territory (ACT), NSW, South Australia (SA) and WA drivers can align with more than one dispatch service in order to increase their viability. In the longer term, this would be an important change to the market to provide operators and drivers with increased opportunities to source bookings from a range of providers. As a general principle, the taskforce favours more competition amongst booking companies. However, as a first step, allowing taxi drivers to also source bookings from RMS providers would allow for more competition.

The submissions which addressed the proposal to remove mandatory booking company affiliation reflected the view that TBCs play an integral role in the taxi industry, with some submissions suggesting the removal of affiliation would require the government to undertake additional functions. The alternate view was that technology and app-based intermediaries could undertake these functions.



*“These Booking Companies are responsible for dispatch and fleet management and also maintain and enforce a range of regulations under Service Contracts with the Government. All licences and drivers must be affiliated with a Booking Company.”*

(Industry advocate group, June 2016)



*“Remove the requirement to be associated with just one TBC. There is no good reason why every taxi in SEQ should not be able to receive and accept the closest job to their vehicle from any facilitator, which would include the likes of Uber; GoCatch or any one else, that may want to enter the fray”*

(Licence holder, June 2016)



## Future accountability

The taskforce recommends that, during the first stage of reform, TBCs and RMS providers operate side by side, allowing for customer choice while maintaining minimum safety standards and service levels.

Major reform to this model would be implemented at a later stage when any entity that matches or provides a vehicle to a customer would be subject to the same regulatory requirements.

This future regulatory model would clearly identify the functions within the industry that require regulatory oversight and hold the appropriate industry participants accountable. This regulatory model will be built for the sharing economy in which data underpins business models and allows for the implementation of a more flexible legislative framework. Agreements between service providers and the regulator will be required to allow for the sharing of data. The regulatory framework would also be built around a chain of responsibility model recognising that responsibility for maintaining critical safety elements should be shared across a number of industry participants.

The Managed Transition Model proposes that legislation only be applied where government intervention is required for key public interest matters.

Of the submissions from taxi industry participants which referred to TBC affiliation, submissions were generally supportive of mandatory affiliation. Few submissions held the view that affiliation should be on a voluntary basis. The alternate views of ride-sourcing advocates were that drivers should be able to affiliate with more than one booking company.

### Recommendation 9:

That new legislation be enacted for ride-sourcing that creates a chain of responsibility for industry participants and embraces the four principles of focusing on consumers and society, keeping the regulatory framework simple and uniform, considering innovative, and flexible approaches to regulation, and using data-led regulation to improve benefits for all.

That the new legislative framework to implement the proposed reforms be prepared as a priority.

### Recommendation 10:

That a new regulated entity – a ride-matching service provider – be created with requirements to ensure customer safety, driver safety and accountability. All ride-sourcing drivers must be registered with at least one ride-matching service provider.

### Recommendation 11:

That affiliation with one taxi booking company remain compulsory for taxis on the basis that dispatch platforms will be greater in number in the future and will be more competitive, allowing drivers to affiliate with more than one ride-matching service provider, creating opportunities to increase the source of bookings.

### Recommendation 12:

That all personalised transport service providers be required to provide data to the regulator to assist with managing the transition. Data requirements to be determined by the Personalised Transport Commissioner in conjunction with the regulator and industry.

### Recommendation 13:

That penalties for ongoing breaches of regulatory requirements by taxi booking companies, ride-matching service providers and other industry participants be significant, to ensure industry compliance, and proportionate to the risk posed by non-compliance.

## Fares and pricing

### *Regulated fares*

The taskforce recommends that the existing maximum regulated fares for the taxi market continue to operate for the booked market outside SEQ, while still applying to all rank and hail markets. The maximum fare would continue to be reviewed by the regulator on a six-monthly basis, using the current Taxi Cost Fare Index (TCFI). This index could be re-validated 12 months after implementation of the initial changes to ensure the ongoing relevance for setting maximum fares in the new market environment.

Exempted areas – generally communities with a small number of taxis that currently do not have prescribed fares – would be maintained.

Ride-sourcing and limousine services would not be subject to a regulated maximum fare as they only operate in the booked market.

The taskforce anticipates that competition in fare pricing would see fares remain largely static although different pricing models may emerge. The Commissioner would monitor fares across the market throughout the initial 12 months of reform to ensure that deregulation delivers a more competitive market-based approach to fare setting and could re-regulate in the event of unintended consequences.

Submissions from the existing taxi industry that contained a view regarding fare calculation and pricing supported the continuation of the maximum regulated fare. Ride-sourcing advocates highlighted the benefit of being able to provide an automatic fare estimate. Other technology entities supported the potential for customers to use a number of new and emerging platforms as an opportunity to reduce the existing prescriptive requirements for taximeters.



*“Industry self regulates fare calculations open to audit.”*

(Driver advocate group, June 2016)

#### **Recommendation 14:**

That, to provide greater competition, fares for all personalised transport services in the SEQ booked market be deregulated by removing the requirement for taxis to comply with gazetted maximum fares. Fares for the rank and hail market will continue to be regulated. The Personalised Transport Commissioner will monitor deregulated fares and dynamic pricing in the booked market during the first 12 months of operation to ensure customers, particularly the transport-disadvantaged, are not negatively impacted and the Commissioner may re-regulate if required.

#### *Fare quote*

The taskforce understands that transparency of deregulated fares in the booked market is essential for customers to make informed decisions however, is also mindful not to introduce an overly prescriptive requirement for fare disclosure. Successful implementation of a deregulated market requires all customers to have access to clear and easy-to-compare pricing information prior to commencing a journey.

To achieve this, all personalised transport service providers will be required to provide a fare estimate that is accepted by the customer, prior to a booked journey commencing.



*“Current information requirements should remain because introducing a mandatory fare quote arrangement would add a layer of bureaucracy to what should be a simple transaction”*

(Personalised transport user, June 2016)

Transparency of fares is achieved through easy price comparisons and all personalised transport service providers will be required to provide a standard unit price for a journey via an app, website or physically on the outside of the vehicle. A similar approach has been used in Sweden, where every taxi must have a sticker identifying the price for a standard journey.

#### **Recommendation 15:**

That for all booked journeys, a fare estimate must be provided and accepted by customers prior to the journey commencing. That information provided to customers is improved and customers are able to make informed decisions about fare costs by comparing personalised transport service providers using a standard unit price (distance and time). This information must be readily available to customers either online, through booking apps or on a sticker placed on the outside of rank and hail taxis, or other means as determined by personalised transport service providers.

#### *Dynamic or surge pricing*

The taskforce carefully considered whether government intervention was required in the area of dynamic pricing, also known as surge pricing. Dynamic pricing has been adopted by some ride-sourcing companies to better respond to supply and demand in a dynamic market, which has led to higher pricing during peak periods including sporting and cultural events and festivities such as New Year’s Eve.

While increased transparency of fares would assist in reducing the risk of excessive pricing, the taskforce has determined that dynamic pricing applied during peak periods for ride-sourcing services should not be subject to regulation. However, it is proposed that restrictions may be applied during natural disasters, declared emergencies or other events as determined by the Queensland Government.

To enable customers to better understand surge pricing, the taskforce recommends that a customer awareness communication strategy should include information regarding fare disclosure requirements and dynamic pricing.

A number of submissions contained a view on dynamic pricing. The taxi industry did not support incorporating this type of pricing into their pricing structure while supporters of dynamic pricing advocated this model as the default in the ride-sourcing market.



*“Introduce a ‘price ceiling’ for passengers riding with wheelchairs using wheelchair accessible taxi and ride share vehicles to prevent price gouging. Examine a ‘price ceiling’ for remote and rural areas where taxis are required to maintain universal service obligation and possibility for a subsidy scheme to operate for commercial viability where a universal service obligation exists for taxis.”*

(Driver advocate group, June 2016)



*“Surge pricing is in effect price gouging, with customers having to pay many multiples Uber’s base price. [Stakeholder] is aware that some customers have been charged 10 times the base price in Queensland.”*

(Booking company, June 2016)

**Recommendation 16:**

That, during times of declared emergencies, natural disasters or other events as determined by the Queensland Government, restrictions may be applied on dynamic (surge) pricing.



*Electronic payments surcharge*

The taskforce determined that there would be a positive result for industry and customers by reducing the current 10 per cent surcharge on electronic payments.

The recent announcement from the RBA<sup>42</sup> 2015–16 *Review of Card Payments Regulation* introduced a plan for a comprehensive national regulatory framework. While the RBA framework excludes taxi payments, the taskforce has determined that aligning the personalised transport payment surcharge with this national framework should be the objective. The taskforce also noted that ride-sourcing is also subject to the national framework.

The RBA will require larger merchants to comply by 1 September 2016, with smaller merchants to comply by 1 September 2017.

Submissions from industry and customers both raised concerns with the current 10 per cent electronic payment surcharge on fares. A large number of submissions recommended adopting a similar approach to that taken in other Australian jurisdictions that have capped the surcharge at 5 per cent.



*“The Queensland Government (should) adopt the RBA’s standard on surcharging”*

(Consumer advocate group, June 2016)



*“Explore the opportunities for the new RBA standards to apply only to Queensland taxis.”*

(Consumer advocate group, June 2016)



*“[recommends that] the 10% surcharge for electronic payment of taxi fares is reduced to a 5% maximum.”*

(Booking company, June 2016)

**Recommendation 17:**

That the Personalised Transport Commissioner investigate the benefits of personalised transport service providers, particularly taxis, aligning their payment systems with the national surcharging standard announced by the Reserve Bank of Australia, which requires smaller merchants to comply by 1 September 2017.

<sup>42</sup> RBA, 2016, *Questions and Answers – Card Payments Regulation*, available at <http://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/q-and-a/card-payments-regulation-qa-conclusions-paper.html>

## Taximeters

Taximeters are currently used to calculate fares, taking into account distance, time, flagfall and additional tolls. The taskforce considers the current requirements for taximeters to be highly prescriptive, particularly the way in which they are installed.

The taskforce also considers that these prescriptive requirements contributed to the regulatory burden, limiting industry's ability to innovate. The taskforce is aware of companies developing more innovative approaches for meters that would be precluded from operating in the Queensland market by the current regulatory framework.

The taskforce notes that alternative approaches to taximeters using smartphone technology are being developed and that one of these has recently been approved by the WA Government. By reducing the prescriptive nature of current requirements opportunities to use new technology will become available to the industry.

Therefore, it is proposed that an outcomes-focused standard for taximeters, or another instrument used to calculate the fare, be developed for use across the state in an effort to reduce market entry costs and foster more innovation.

### Recommendation 18:

That an outcomes-focused standard for a fare calculation device is developed in consultation with industry, technology providers, customers and government.

## Taxi service areas

The existing TSAs would be maintained in the first stage of reform however, ride-sourcing would be allowed to operate across the areas defined as SEQ without limit. Taxis would continue to have exclusive access to the rank and hail market in declared TSAs.

The taskforce gave detailed consideration to merging the contract TSAs in SEQ to allow greater competition. However, the decision to maintain mandatory affiliation with a TBC means that reform of the TSA boundaries would be better placed in a later stage of reform. At that point, transition from the current responsibilities of TBCs, RMS providers and their operational areas could be given full and detailed consideration to avoid unintended consequences.

It is proposed that the current TSAs be reviewed following the initial transition phase and in parallel with the completion of reforms to the responsibilities of all bookings entities. At that time, proposed reforms would consider merging the existing Brisbane, Gold Coast, Sunshine Coast, Redcliffe and Ipswich TSAs into one area. This area currently contains 2430 taxi licences – or about 75 per cent of Queensland's licences – so the merge, including ride-sourcing, would improve access for the vast majority of Queenslanders.

The taskforce considers that this review would allow a period of time for the market to stabilise after the entry of new operators to the market.

A list of TSAs that are defined as contract areas is available at Appendix F.

A few submissions addressed the issue of existing taxi service areas, noting that the existing geographic boundaries had enabled the creation of a locally-focused taxi service, fearing a change to this would lead to a lack of viability to their business. The view of larger taxi stakeholders was that merging the SEQ TSAs would lead to greater concentration of vehicles in some areas over others.

### Recommendation 4:

That post implementation, the Personalised Transport Commissioner considers the provision of personalised transport services during the first 12 months of regulatory reform, evaluating in particular quality and service levels and at that time, give further consideration to the benefits of merging taxi service areas and further reforms to booking entities.

## Safety

The taxi and limousine industry has a number of regulations that aim to ensure the safety of drivers, customers and vehicles. In the recommended Managed Transition Model, a minimum standard will be maintained and actively enforced across the reformed industry.

The taskforce has made a number of recommendations about safety matters that will require further investigation and analysis prior to implementing reforms. The taskforce considered developing further actions related to these matters in order to provide certainty for industry. However it determined that, given the high priority placed on safety by all stakeholders, the better action was to ensure more time was given to developing fit-for-purpose standards in partnership with industry.

### Vehicle age and safety features

Between 2011 and 2015, there were approximately 53 crashes per year involving Queensland taxis which resulted in a fatality or hospitalisation. Over this same period, there were approximately 106 safety incidents each year where medical attention was necessary.

The taskforce determined that the current standards appear to have provided appropriate safety outcomes. This position is supported by KPMG modelling which indicates that the future level of vehicle incidents will remain constant with current trends, provided that minimum standards (industry or government regulated) are effectively enforced. Nevertheless, it is important to note that driving patterns observed in the Queensland ride-sourcing industry appear to be quite different to the taxi industry. Accordingly, there may be a different pattern of incidents relative to the existing industry, given the likely lower levels of vehicle kilometres travelled per annum by ride-sourcing vehicles and differing ownership structures.

Therefore, the taskforce has determined that vehicle age should be regulated for all personalised transport vehicles with vehicle age limits maintained for taxi vehicles and corresponding limits applied to ride-sourcing vehicles.

In the proposed initial stage of reform, a 'level playing field' would require all vehicles providing personalised transport services to be no more than six years old for a conventional vehicle, or eight years old for a wheelchair accessible vehicle.

The taskforce recommends that limousine age limits, the 2.8 metre wheelbase and luxury car tax threshold requirements be removed.

The taskforce also noted that vehicle age is a fairly rudimentary measure of vehicle safety. It is proposed that the vehicle safety framework be reviewed for all personalised transport vehicles and should include consideration of opportunities provided by improvements in technology and vehicle safety ratings, including the Australasian New Car Assessment Program (ANCAP) rating. The purpose of this review would be to develop a more adaptive vehicle safety standard to be applied across the personalised transport industry, identifying the minimum safety and inspection requirements.

The taskforce also noted that there are opportunities for additional vehicles to provide wheelchair services but it would be important that these vehicles meet minimum safety requirements. For this reason, the taskforce recommends that the vehicles would be required to comply with the current regulatory requirements for WATs.

Taxis are presently required to be constructed so passengers have control over the opening and shutting of the vehicle's doors independently of the driver. The taskforce considers that this is an important safety requirement and, while acknowledging the challenges this could pose for ride-sourcing, feels that the feasibility of extending this to ride-sourcing should be considered.

Stakeholder submissions represented a variety of views on vehicle age requirements. There was broad agreement that some form of regulatory standard must apply.



*"The nature of taxi and ridesharing means that they are subject to greater mileage and wear and tear than vehicles used exclusively for personal use. This means that standard deterioration of the vehicle and some of its safety apparatuses are accelerated. Risks could be minimised by the introduction of guidelines for the maximum age of passenger vehicles and frequency of servicing required."*

(Affiliated business, June 2016)



*"The age of the vehicle in which the driver is travelling should be no more than 5 years old and undergo a safety check every 6 months. In other states where this has become deregulated, the age of the taxis used to transport customers has increased which is a safety issue."*

(Licence holder, June 2016)

#### **Recommendation 19:**

That ride-sourcing and taxi vehicles' maximum age limits be six years for conventional vehicles (sedan, station wagons, SUVs) and eight years for wheelchair accessible vehicles (aligned with taxi requirements). Limousine age limits, the 2.8 metre wheelbase and luxury car tax threshold requirements will be removed.

#### **Recommendation 22:**

That, following the implementation of initial reforms, the Personalised Transport Commissioner undertake a review of vehicle age, safety standards and inspection requirements to reduce regulatory burden and develop a standard that is more responsive to technological advances while maintaining minimum safety standards.

That the Commissioner investigate the need to extend the requirement for independent operation of doors by passengers in ride-sourcing vehicles.

#### *Certificate of inspection and inspection responsibility*

In seeking opportunities to reduce regulatory burden for the current industry, the taskforce assessed the requirements linked to the certificate of inspection (COI) for vehicles and noted that more appropriate maintenance and repair schedules would ensure vehicle safety standards would not be compromised.

The taskforce determined that the regulatory burden for taxi and limousine vehicles would be reduced by extending the timeframe for requiring a COI, from six-monthly to annually and that ride-sourcing vehicles should also be required to obtain an annual private vehicle safety certificate from an approved inspection station.

The taskforce noted that requiring a large number of new entrants to comply with inspection requirements would need to be carefully managed, including an appropriate transition timeframe, before penalties would be issued for non-compliance. Additional capacity could be made available in the system through the reduction in frequency of inspection for taxis and limousines.

It is the taskforce's view that this interim solution would establish an equitable periodic check of vehicles across all forms of personalised transport, and also ensure a level of vehicle safety for customers.

Submissions from existing industry raised concern with any reduction to the existing vehicle safety checks while ride-sourcing advocates raised concern of the impost on their business.



*“The current taxi regulations have placed safety at the forefront of service provision and the government has an obligation to ensure this continues.”*

(Licence holder, June 2016)

#### **Recommendation 20:**

That certificate of inspection requirements for taxis and limousines be decreased in frequency from six-monthly to annually and that ride-sourcing vehicles be required to obtain an annual private vehicle safety certificate from an approved inspection station.

#### *In-vehicle safety equipment*

The taskforce has received feedback that the existing in-vehicle safety equipment requirements are considered overly prescriptive and inhibit the ability of the industry to adopt lower cost and arguably more appropriate technology.

The taskforce recommends that the existing prescriptive in-vehicle safety requirements should be maintained for taxi vehicles in the short to medium-term.

However, in the Managed Transition Model it is proposed that the Commissioner would work with industry participants, the community, government representatives and technology providers to review the existing in-vehicle safety equipment requirements, including cameras. The aim of the review would be to develop an outcomes-focused standard that is responsive to technological advances while maintaining minimum safety standards.

The taskforce considers that the key principles to be addressed in the standard should include that cameras be tamper proof and that free and timely access be provided to the Queensland Police Service and other government agencies as required.

A number of submissions addressed in-vehicle safety equipment.



*“Security camera legislation (should be) amended to permit video streaming, up loadable to the cloud and forward and rear facing cameras.”*

(Booking company, June 2016)

#### **Recommendation 21:**

That the Personalised Transport Commissioner develop an outcomes-focused standard for in-vehicle safety equipment for taxis and ride-sourcing vehicles. The standard will be developed in consultation with industry participants, government representatives and technology providers with the objective of reducing regulatory burden for taxis.

#### *Driver and customer safety*

The taskforce has prioritised safety issues in all its deliberations, including the safety of drivers.

Between 2011 and 2015 there was an average of 327 safety incidents per annum that affected drivers. These incidents included vandalism, robbery, theft and assault.

The taskforce has considered the possible impacts on driver safety with the legalisation of ride-sourcing in SEQ and recommends that rigorous requirements for driver safety be adopted across the personalised transport industry.

Driving while impaired, either due to the presence of alcohol or drugs<sup>43</sup>, poses a risk to both the driver and passengers. Drink driving by professional drivers has a zero tolerance in Queensland and the taskforce recommends that all personalised transport drivers must have zero blood alcohol content.

Fatigue management is a shared responsibility between TBCs, operators and drivers. TBCs and operators are accountable for ensuring shift lengths are not excessive and drivers are not already fatigued when they start a shift. Workplace Health and Safety Queensland also has legislation that regulates taxi industry safety.

In the Managed Transition Model, fatigue management would continue to be a shared responsibility across the personalised transport industry and would also apply to ride-sourcing drivers and RMS providers.

Taxi drivers have been exempt from the requirement to wear a seatbelt under current regulations. Moving forward, the taskforce recommends that it be a requirement for all drivers to wear a seatbelt while providing any personalised transport service, to decrease the severity of injuries sustained in the event of a crash. In the proposed model, personalised transport drivers would be exempt from a penalty where passengers do not comply with the requirement to wear a seatbelt.

<sup>43</sup> Relevant drugs for this purpose are *methylamphetamine*, *3,4-methylenedioxy-methamphetamine* (MDMA), and *Tetrahydrocannabinol* (THC) or any drug that is shown to contribute to an unsafe incident by a driver. *Transport Operations (Road Use Management) Act 1995*, s79-80AA.

A range of views were held regarding drug and alcohol levels in drivers and fatigue management. The submissions which referred to drug and alcohol matters generally expressed a zero tolerance for drug and alcohol, and that testing should be uniform across all personalised transport vehicles. With respect to fatigue management, submissions that addressed the matter called for a rigorous regime uniformly applied across all personalised transport vehicles.



*“Fatigue management is a major concern when operators are independent and ‘working’ [sic] more than one job.”*

(Licence holder, June 2016)



*“...Driver safety needs to go hand in hand with customer safety ie Fatigue Management, blood alcohol content, drug use and driver background/ criminal checks.”*

(Licence holder, June 2016)



*“Fatigue management is currently a key safety feature of the regulations and a critical aspect of safety monitored by booking companies.”*

(Industry advocate group, June 2016)

#### **Recommendation 24:**

That zero tolerance standards for drugs and alcohol will apply to all personalised transport drivers. That fatigue management requirements will apply to all personalised transport drivers, taxi booking companies and ride-matching service providers in accordance with chain of responsibility requirements.

#### **Recommendation 28:**

That all personalised transport drivers and passengers be required to wear seatbelts, with the exemption that drivers not be fined for passengers not wearing seatbelts extended to ride-sourcing drivers. There will no longer be an exemption for taxi drivers not wearing seatbelts.

#### *Driver training and driver screening*

Many stakeholders provided feedback to the taskforce on the importance of customer safety.

There were on average 3532 safety incidents affecting taxi passengers per annum across Queensland between 2011 and 2015. These incidents included missed pickups, fare refusals, unbecoming conduct and unsafe driving.

KPMG modelling indicates that the level of safety incidents affecting customers will remain constant with current trends, provided that minimum standards (industry or government regulated) are effectively enforced.

Currently customer safety is delivered through background checking of drivers to ensure they hold an open driver licence and have had a criminal history and driving history check as well as a medical fitness check. The Managed Transition Model would extend these requirements to ride-sourcing drivers.

The proposed new framework would also require RMS providers to be appropriately endorsed by government and take responsibility for ensuring drivers that no longer meet the requirements to hold a driver authorisation, cease providing services.

Currently limousine and taxi drivers are required to pay an additional fee to their DA application fee, making their DA cost higher than those borne by other professional drivers. The taskforce considers that all professional drivers should be required to pay the same fee, in conjunction with their DA application fee in order to create a more equitable registration environment.

Australian Transport Ministers agreed to implement National Taxi Driver Competency Units from 1 July 2010, to provide a national standard of training for taxi drivers and address concerns regarding jurisdiction shopping for licences under mutual recognition arrangements between the states and territories.

The National Taxi Driver Competency Units were made up of eight components, one of which was to provide wheelchair accessible taxi services for passengers with disabilities.

This competency was not introduced as a mandatory requirement in Queensland as it was considered to constitute an additional regulatory burden on the taxi industry. However, it is understood that some TBCs provide this training to their drivers.

The taskforce considered that training requirements are generally related to the quality of service delivery and in a more competitive market, where drivers are associated with a company's brand, it is appropriate that the company determine the level of driver training required to deliver customer outcomes.

Therefore, the taskforce recommends that mandatory driver training requirements, currently part of taxi DA, be removed in recognition that training is directly related to quality of service, and decisions relating to training are best left to the entity whose brand is associated with the delivery of the service (except for WAV/WAT-related driver training).

The current minimum driver age requirements were considered to be overly prescriptive. The taskforce agreed that appropriate safety outcomes would be delivered by retaining a requirement to have held an Australian driver licence (or other recognised jurisdiction) for a total of at least 12 months in the three years preceding the application date.

To ensure greater visibility of ride-sourcing vehicles, improve safety for customers and allow for oversight by compliance officers, the taskforce recommends that all ride-sourcing vehicles be readily identifiable with appropriate branding.



*“Of primary consideration is the personal safety of Queensland’s taxi users. I fail to see how this is achievable with unbranded vehicles, which removes the certainty that the vehicle IS in fact a taxi, the lack of insurance, lack of required maintenance, lack of security cameras to protect both drivers and passengers, along with the fact that private vehicles are more difficult to track and verify.”*

(Licence holder, June 2016)



*“Current DA requirements are applied to all ride sourcing drivers - ensures passengers safety needs are met.”*

(Driver, June 2016)



*“...Uber is accountable for screening drivers, checking licence validity, driver authorisation.*

(Driver advocate group, June 2016)



*“... The operator must ensure that any driver who drives the taxi vehicle holds and maintains driver authorisation to drive or operate the vehicle to provide a taxi service.”*

(Licence holder, June 2016)

#### **Recommendation 23:**

That all personalised transport drivers must hold a valid driver authorisation which entails a valid open driver licence from Queensland (or another recognised jurisdiction), criminal, driver history and medical fitness checks.

#### **Recommendation 45:**

That, as a service based industry, all industry participants be encouraged to provide training to ensure quality service, and that current taxi training requirements no longer be mandated by government.

#### **Recommendation 46:**

That the minimum taxi driver age requirement be removed, and the existing requirement to have held an Australian licence for a total of at least 12 months in the three years preceding the application date be applied to all personalised transport drivers.

#### **Recommendation 25:**

That all ride-sourcing vehicles be identifiable to improve safety for customers and compliance.

#### *Prescriptive service and quality requirements*

The taskforce considered that prescriptive requirements that relate to quality of service should be removed where they do not impact on customer safety.

The taskforce determined that high quality customer outcomes are a matter for business operators to achieve and are not a public interest matter requiring government intervention.

Examples include requirements for cleanliness and appearance of vehicles, air conditioning, the provision of quality customer service and the dress of drivers.

#### **Recommendation 44:**

That prescriptive regulatory requirements relating to quality of service (rather than safety) be removed.





### *Compulsory Third Party (CTP) insurance*

The taskforce has received significant feedback from the existing industry about the high cost of CTP insurance premiums for taxis. Taxis are currently in Class 3 for CTP purposes and pay over \$6000 while ride-sourcing operators are currently in Class 1 (private vehicles) and pay approximately \$360.00.

Feedback has been received from a number of taxi industry stakeholders that CTP insurance costs are a significant overhead cost and, if these costs could be reduced, it is likely that fares could be reduced.

The taskforce considers that there are number of approaches to reforming CTP insurance and lowering the cost burden on the taxi industry. It is also aware that this is a very complex area that requires careful consideration and is also part of a much larger insurance framework where changes to one aspect could have unintended consequences in other areas.

The taskforce has considered a number of approaches to reducing the cost of premiums for the taxi industry including, incorporating taxis into the current Class 1 (private vehicle) CTP insurance category, reforming the class structure and creating a new category for all vehicles used for Hire and Reward including taxis, hire cars, limousines and ride-sourcing vehicles. It is understood that a move to include taxis into Class 1 would result in an increase in CTP insurance prices for other vehicles in this class of approximately \$5.50.

From discussion with the insurance industry, it is understood that matters that would require detailed consideration include the equalisation of risk across the insurers, based on portfolio risk.

In addition, options to better link the risk profile of the vehicle with the premium paid should also be explored including the use of telematics. This should use an approach similar to the recently announced NSW Government CTP insurance reforms<sup>44</sup> where for the point-to-point transport industry they will be using telematics to have a more risk-based approach to premium setting (based on usage).

As an interim while this is being explored, ride-sourcing should be established in a category of its own to allow the collection of data and the development of an appropriate risk category for ride-sourcing.

The taskforce considers that a critical element of this reform would be ensuring that TMR, as the agency responsible for vehicle registration, is a partner in ensuring that links can be made between vehicle registration and CTP insurance.

The taskforce received several suggestions about how best to amend the CTP insurance component payable for taxis.

#### **Recommendation 26:**

That the Personalised Transport Commissioner, in partnership with the Motor Accident Insurance Commission and the Department of Transport and Main Roads, develop a new approach to CTP insurance that will significantly reduce costs for the taxi industry. This would include considering options to reform current CTP insurance categories and new models for calculating prices using telematics or other measures of usage, such as time and distance travelled.

#### **Recommendation 27:**

That as an interim measure, a new CTP insurance category for ride-sourcing vehicles be established and appropriate amendments made to registration requirements in consultation with the Department of Transport and Main Roads.

<sup>44</sup> NSW Government, 2016, *On the road to a better CTP scheme*, available at [http://greenslipreforms.nsw.gov.au/wp-content/uploads/2016/06/CTP\\_reform\\_position\\_paper.pdf](http://greenslipreforms.nsw.gov.au/wp-content/uploads/2016/06/CTP_reform_position_paper.pdf)

## 3.2 OTHER REFORM INITIATIVES

### Accessibility

The taskforce identified that the removal of affiliation and associated performance measures for MSLs could potentially risk a reduction in the availability of WAT service levels. This was verified in the KPMG analysis of Scenarios 2, 3 and 4.

The taskforce received a number of submissions with suggested changes to the TSS. It considers that broadening the use of the TSS, and allowing it to be accessed by other personalised transport service providers, would provide users with more choice (not all TSS members require the use of a WAV).

The taskforce is aware that the introduction of the National Disability Insurance Scheme (NDIS) will have impacts for some customers currently accessing the TSS as well as having implications for the use of taxis to transport these customers.

The taskforce considers that it would be premature to make any recommendations for change in this area as there will be implications for the personalised transport industry from the roll out of NDIS. The taskforce notes that the NDIS rollout in Queensland commenced in July 2016 and will be complete by June 2019.<sup>45</sup> The taskforce also notes that there are a range of possible impacts on the delivery of services under NDIS and that this should be closely monitored during the roll out, with the full impacts to be evaluated at an appropriate time after the roll-out is complete.

Other jurisdictions have a number of arrangements in place to improve service levels for customers requiring access to a wheelchair accessible vehicle (WAV). These measures include lift fees, where the government subsidises an additional fee paid to the driver for providing services to passengers requiring a WAV. Further measures include a centralised booking service operating in the ACT where all WAVs are dispatched to customers through a single booking service prioritising services to these customers. Feedback from stakeholders indicated that, while these measures may assist to some degree, more could be done to improve service availability for passengers requiring WAVs.

Introducing any of these incentives would come at a considerable cost to government and therefore, the taskforce considered that all possible measures should be assessed to determine the most cost effective way to incentivise delivery of improved service levels for WAV passengers.

The taskforce notes the feedback received from disability advocates regarding the need for mandatory training of drivers in the provision of wheelchair accessible services for passengers with disabilities. The taskforce further notes that this training module was originally to form part of the DA process however, the implementation of this module did not occur. The taskforce recommends that training for drivers of WAVs be mandated.

The taskforce received feedback regarding the existing standards for WATs that prevent new participants entering in the market. These vehicles meet international standards but currently fail to comply with Australian requirements. The taskforce considered that to provide more choice and encourage more operators into the market, the current Australian standard for these vehicles should be considered in the context of international standards.

In addition, the taskforce received feedback about the important role of taxi ranks and the lack of a consistent approach to the provision of ranks on private land, including in shopping centres and at other community facilities such as hospitals, medical centres and entertainment precincts. A more consistent approach would improve access for customers. Feedback was also received about the difficulty of accessing WATs from some ranks. The taskforce recommends that the Commissioner should work with local government authorities, who control planning requirements, to develop a more consistent approach to the location, size and accessibility of taxi ranks on private land and local government land.



<sup>45</sup> Queensland Government, 2016, *NDIS rollout in Queensland*, available at <https://www.communities.qld.gov.au/gateway/reform-and-renewal/disability-services/national-disability-insurance-scheme-in-queensland/ndis-rollout-in-queensland>

**Recommendation 38:**

That the Taxi Subsidy Scheme (TSS) be extended to all personalised transport vehicles that can meet the needs of TSS customers.

**Recommendation 39:**

That the Personalised Transport Commissioner develop a package of measures to incentivise and improve services for customers requiring the use of wheelchair accessible vehicles, including consideration of driver training requirements and the effectiveness of implementing a lift fee.

**Recommendation 40:**

That all drivers of wheelchair accessible vehicles must complete the training module for provision of wheelchair accessible services for passengers with disabilities.

**Recommendation 41:**

That the Personalised Transport Commissioner closely monitor the roll out of the National Disability Insurance Scheme (NDIS) to identify any unintended consequences and that a full evaluation of the Taxi Subsidy Scheme be undertaken following the roll out to determine the most appropriate model for the remaining users of this scheme.

**Recommendation 42:**

That the Personalised Transport Commissioner, through the appropriate inter-jurisdictional mechanisms, seek a review of the Disability Standards for Accessible Public Transport 2002 relating to wheelchair accessible taxis in order to meet the emerging needs of people requiring the use of these vehicles.

**Recommendation 43:**

That the Personalised Transport Commissioner work with local government authorities to develop a standard providing guidance for inclusion in planning schemes on the location, size and accessibility of taxi ranks on private and local government land.

**Innovation**

As part of the Innovation Paper, released by the taskforce in March 2016, the impact of highly automated and autonomous vehicles was explored. This discussion identified potential benefits in costs associated with vehicle ownership and anticipated improved wait times for customers.

Shared usage of highly automated and autonomous vehicles would build on the current personalised transport industry. Regulatory requirements for the introduction of highly automated and autonomous vehicles will require careful consideration for the personalised transport industry.

**Recommendation 47:**

That the Personalised Transport Commissioner consider the role of highly automated and autonomous vehicles in the personalised transport industry and make recommendations for regulations as necessary for public safety.

**Integration – first and last mile**

The taskforce has identified an opportunity to investigate first and last mile integration and how under-utilised taxis can provide these services. An integrated payment system would offer customers easy access to these services and solve integration issues with the existing public transport infrastructure in SEQ.

The taskforce believes this opportunity would deliver tangible benefits to the taxi industry and alternative payment options would need to be offered to facilitate these services, under the current *go card* or the next generation ticketing solution.

A number of submissions were supportive of the proposal to integrate payment systems and highlighted the opportunity for new systems to integrate with Queensland's public transport network.



*"... The Translink go card smart technology based payment system is a really good idea. A Go Card [sic] facility in all taxis in Queensland would be a way of reducing costs to passengers and give them greater choice in how to pay for taxis. I believe that we are already an extension of the Public Transport System and this would be a natural flow on from buses, trams, trains and could even be available at Airport facilities and utilised in taxis."*

(Licence holder, June 2016)

**Recommendation 8:**

That strong consideration be given to *go card* (or its successor, the next generation ticketing solution) implementing an integrated payment system as part of the broader public transport system, providing taxis with access to the first and last mile market.

## Driver conditions

A number of submissions were received regarding driver conditions across the personalised transport industry. While driver conditions are not specifically mentioned within the Terms of Reference of the review, the taskforce acknowledges that it is a key matter that impacts on the operational structure and delivery of taxi and ride-sourcing services.

The current taxi industry bailment arrangements date back to the 1930s and, despite previous reviews and concerns regarding driver conditions, they remain in place. In 2011, the legislative framework was amended to require written bailment agreements between authorised operators and accredited drivers. Prior to this, it was not uncommon for these agreements to be verbal.

The introduction of ride-sourcing under the shared-economy model—where drivers are engaged as independent contractors—would introduce further complexity to this model. While a number of ride-sourcing drivers did advise that they enjoy the flexibility of the ride-sourcing model, the taskforce noted advice from ride-sourcing drivers about the lack of fairness in the current arrangements and also noted examples that have occurred overseas. The taskforce also considered that while the ability of passengers and drivers to rate each other has been well received by passengers, drivers have provided feedback that there is a lack of transparency about this process from the driver’s perspective.

The taskforce expects that the legalisation of ride-sourcing in SEQ would provide drivers with greater choice as to which business model suits their preferences. For some drivers, the opening up of this market would provide new opportunities.

In considering driver conditions, it is worth considering the situation in the United States (US). Uber in the US is under substantial pressure from its drivers, and even some authorities, with regards to its treatment of its driver-partners. Much of the alleged inappropriateness of this treatment hinges upon whether or not Uber is right in labelling its driver-partners as ‘independent contractors’. These cases centre on this fact, and whether or not Uber is flouting its responsibilities towards its employees (e.g. payment of minimum wage). There have been rallies in the US by taxi and Uber drivers alike about pay and conditions. Concerns also extend to what Bhairavi Desai, director of the New York Taxi Workers Alliance, calls ‘part-timing this full-time profession’.<sup>46</sup>

The taskforce notes international experience as well as the many submissions that raised concerns about the current driver conditions for both taxi and ride-sourcing drivers. The taskforce recognises that introducing competition into the personalised transport market could have implications for driver conditions and therefore, recommends that a considered review of the current situation be undertaken to ensure that drivers can be engaged on fair and equitable terms.



*“The working conditions of taxi drivers are among the worst for any workers in Australia.”*

(Industry advocate group, June 2016)



*“Ride share drivers currently have no ability to set their own transport prices for their businesses, nor are in a position to bargain for fair conditions or treatment. Currently ride share drivers can be disciplined, penalised, denied service or deactivated without fair business processes that any ordinary person would expect in Australia within any performance management system.”*

(Driver advocate group, June 2016)

### Recommendation 6:

That the Personalised Transport Commissioner prioritise consideration of the current driver conditions within the personalised transport industry to determine the most appropriate course of action in order to develop a framework that will ensure all personalised transport drivers are engaged on fair and equitable terms and conditions.

<sup>46</sup> NY Daily News, available at <http://www.nydailynews.com/newyork/ubercabbiestaxiunionrallyfairwagescityhallarticle1.2536051>

## Compliance and enforcement

The cost of regulatory enforcement in the personalised transport industry increased by approximately \$500,000 in 2014 and 2015, in response to the entry of large scale ride-sourcing operations in SEQ.

The taskforce received extensive feedback from existing industry participants about the inadequate nature of the compliance activities being undertaken against illegal ride-sourcing operators. With the proposed introduction of ride-sourcing to the personalised transport industry in SEQ, the legislative framework would need to be updated to work in a sharing economy where more flexible business models are emerging and technology will continue to evolve. The legislation should also be able to adapt to these new operating environments. Of critical importance is the need to ensure that legislation can be upheld with effective compliance and enforcement measures that are proportionate to the risk posed by non-compliance. These measures would need to be robust enough to hold all industry entities accountable.

While the level of compliance activity has increased following recent legislative amendments, the taskforce understands that the compliance and enforcement task would change significantly with the legalisation of ride-sourcing. The current increased compliance activity, while delivered at a higher cost, is focused on identifying ride-sourcing drivers and does not reflect the future compliance requirements under the Managed Transition Model, which would ensure safety with respect to passengers and vehicles.

The existing taxi industry operates under a co-regulatory approach where TBC in contract service areas ensure drivers are appropriately authorised, vehicles are safe and that regulations in general are followed by operators and drivers. The taskforce considers that new legislation would need to establish a framework to hold all ride-sourcing participants accountable.

In future, the taskforce considers that compliance and enforcement approaches would need to adapt with changes to technology and the regulator would need to have access and capability to understand emerging business models, including changing technology.

Adapting to the proposed new regulatory framework, with a large number of new entrants in the market, would require an increased level of compliance and enforcement activity. The taskforce considers that a more high tech approach would be required for compliance and enforcement, including access to more data about the performance of the industry and a more sophisticated risk-based approach to auditing and undertaking enforcement activity.

Technology that already exists offers opportunities to improve compliance activities along with access to data that can be harnessed from telematics, sensors on vehicles for automatic reporting of defects, daily electronic driver listing from ride-sourcing networks, and digital uploads of COIs and driving hours.

The taskforce considers that investment in technology for monitoring compliance through the use of algorithms will be a key issue for the future. Data warehousing is becoming increasingly important in the digital age<sup>47</sup>. This involves the collection of data from various sources to allow matching with the aim of identifying issues for compliance. This approach would require agreements between industry and the regulator about accessing and sharing data.

The taskforce also notes that cyber security needs should be considered up front in the drafting of any future regulation, due to the increased reliance on technology-based solutions, and it is recommended that the Queensland Government Chief Information Officer be consulted during this process.

The taskforce has also received feedback about the importance of ensuring that international operators are also required to comply with requirements for operating in Australia. The taskforce is aware that other jurisdictions are already implementing approaches that will require compliance from international operators and considers that there are opportunities for jurisdictions to work together to address issues that may arise.

The taskforce acknowledges that the matter of cross-border issues will require the Australian Government to take the lead and that Queensland and other Australian jurisdictions should collectively consider the appropriate approach through the Council of Australian Governments (COAG).



<sup>47</sup> Krishnan, K., 2013, *Data warehousing in the age of big data*

A large number of submissions to the taskforce identified concerns with compliance and enforcement. The existing taxi industry held the view that the government had failed to enforce the law. However, many of these industry participants also expressed a willingness to comply with a less restrictive regulatory framework should the government propose such changes.

Legislation enacted in December 2015 allows the Australian Government to take action against multinationals that fail to pay their fair share of taxes. The taskforce considers that the Commissioner should work in partnership with the ATO to share information regarding registration of entities operating in the Queensland personalised transport industry and allow the Australian Government to take appropriate action. Likewise, the sharing of information with the ATO will allow the Commissioner to de-register RMS providers.



**Recommendation 29:**

That the Minister for Transport should, through the Council of Australian Governments (COAG), seek support from other jurisdictions and the Australian Government for a consistent approach to enforcement against off-shore operators and booking platforms.

**Recommendation 30:**

That the Department of Transport and Main Roads, as the regulator, conduct a feasibility study in partnership with industry to undertake technology-based compliance activities, considering opportunities that exist with telematics and other vehicle-based technology to reduce regulatory burden on industry and enable improved access to data for the regulator.

**Recommendation 31:**

That the Personalised Transport Commissioner, using data supplied by the Department of Transport and Main Roads, should provide the ATO a list of entities that either hold or have applied for a ride-matching service provider registration on a quarterly basis or upon request. If the Commissioner becomes aware of an entity operating as a ride-matching service provider without appropriate registration the Commissioner should inform the ATO.

**Recommendation 32:**

That in the event the Personalised Transport Commissioner receives information from the ATO that an entity holding a ride-matching service provider registration is in breach of its taxation obligations, whether under Multinational Anti-Avoidance Law or otherwise, the Commissioner should cancel the registration.

**Recommendation 33:**

That the reasons for which the Personalised Transport Commissioner can cancel a ride-matching service provider's registration will be determined in the enacting legislation.

# Section 4

## Implementation

At the conclusion of the OPT Review, the taskforce was asked to determine the most appropriate approach to regulating the personalised transport industry moving forward.

While the taskforce's preferred position would be to recommend significant reductions to the market entry restrictions in the industry, it is also conscious of the need for business and consumer confidence, and the likely social and economic impacts of significant deregulation.

The taskforce recognises there is an opportunity to reduce regulatory burden for the taxi and limousine industry and to improve choice for customers. However, given the current state of the market, the taskforce has prioritised a managed transition approach to implementing proposed reforms.

The recommended range of reforms balances the need for change with the risks of reform within a complex regulated market, where vulnerable customers could be disadvantaged if the transition is not carefully managed. In developing this approach, the taskforce reflected on the guiding principles of accessible, innovative, customer focused, safe and accountable.

The taskforce reviewed a number of interstate and international case studies to consider which learnings could be applied to the Queensland market. In particular, the taskforce noted the need to maintain momentum in implementing reforms.

The Managed Transition Model provides a workable solution as it balances the public interest with industry needs; ensuring customers have more choice and maintaining safety while reducing regulatory burden for the existing industry.

The taskforce considers that successful implementation of the proposed reforms would require the appointment of a Personalised Transport Commissioner to be responsible for oversight of the review process.

The taskforce has, therefore, recommended that implementation of reforms in the Managed Transition Model include:

- establishing leadership and coordination for the changes, with the appointment of a Personalised Transport Commissioner
- the Commissioner leading a number of reviews aimed at reducing regulatory burden

- implementing sharing economy legislation
- developing and delivering an industry and customer awareness program
- following the implementation of initial reforms, the Commissioner should monitor the market to ensure there are no unintended consequences for customers.
- continue to implement reforms that reduce regulatory burden.

### 4.1 IMPLEMENTING REFORM

In considering the best approach to implementation, the taskforce recognises that there has been significant uncertainty for business in this sector for some time and that reforms should be progressed as quickly as possible.

The taskforce recommends a two-stage approach to reform. It believes the first stage should be implemented as soon as possible, noting that legislative changes will be required to implement some of these reforms and that this will follow government and parliamentary timeframes. It is also anticipated that systems and procedural changes will be required. The second stage of reforms should build on the first stage and follow careful monitoring of the initial reforms. The taskforce has not identified implementation dates as it recognises the government will need to determine when and how reforms are implemented.

The taskforce notes that were the Queensland Government to announce their support for the proposed reforms, there would be an interim period after the announcement during which the necessary legislative changes could be progressed. At this time the government would be required to determine how enforcement activities should be undertaken.

The taskforce strongly believes that an independent Commissioner should be appointed to ensure momentum is built and maintained for the reform program, and to ensure stakeholders can contribute to the development of the reform program as it evolves. The Commissioner should be supported by an advisory board consisting of industry and community stakeholders and would work closely with stakeholders to finalise the framework for reform including prioritising key reform activities.

It would be the role of the Commissioner to confirm the reform program including timeframes, deliverables and accountabilities within three months of appointment.

In order to support a smooth transition and ensure compliance with the new regulatory framework, additional resourcing would be required for the regulator. During the initial implementation phase for example, new entrants will require vehicle safety checks, DA checks and licences to be issued. It is important not to underestimate the work involved in system changes and administrative tasks associated with processing applications for vehicles and drivers. The taskforce believes that the regulator would require an appropriately resourced transition strategy.

Compliance and enforcement activities following implementation of initial reforms would ideally be focused on ensuring appropriate licensing and DA for new market entrants in SEQ, and ensuring all safety requirements are being met. A smooth transition to new operating accountabilities would also require RMS providers to have policies and procedures in place once the first stage of reform commences.

#### **Recommendation 7:**

That the Department of Transport and Main Roads develops a resourcing strategy for approval by government to ensure effective management of the administrative and compliance tasks associated with new entrants to the personalised transport industry.

## **4.2 INDUSTRY ADJUSTMENT**

### **Compensation**

Licence holders have contacted the taskforce to express concern about the impact of illegal operators on both the value of their taxi licence and the returns being received. This was reflected in the submissions received which discussed their claim for financial redress.

The majority of taxi and limousine submissions held the view that licences were essential to the past and future of the personalised transport industry. However, this view was strongly offset by consumers and potential new entrants, who envisaged a future where an optimal regulatory framework did not include licensing.

The taskforce has noted that debate about reform to the industry often includes calls to compensate existing licence holders. Some stakeholders have suggested a buy-back of licences or some form of payment to offset a loss in capital value as a result of government deregulation.



The historically high costs of taxi licences have reflected the scarcity of licences in the market; the result of government restrictions on the number of licences issued.

While much of the debate around industry reform has focused on the decline in the capital value of licences, these arguments fail to account for the returns that licence holders receive either from leasing or operating the licence.

Brisbane taxi licence holders who lease out their licences have been receiving returns of around 5–6 per cent per annum on the value of the licence—approximately \$30,000 per annum.<sup>48</sup>

The costs of leasing taxi licences from these licence holders contributes significantly to the total operating costs within the industry, without any demonstrable efficiency gain or value add to the service.

Analysis of the current market state found that 61 per cent of taxi licence holders have held their licence for more than 10 years, with an estimated 210 individuals holding multiple licences. During this time, taxi licence holders may have earned sufficient revenue to fully repay the initial cost of the licence as well as being the beneficiary of other tax deductions and write-offs.

As identified by the Productivity Commission:<sup>49</sup>

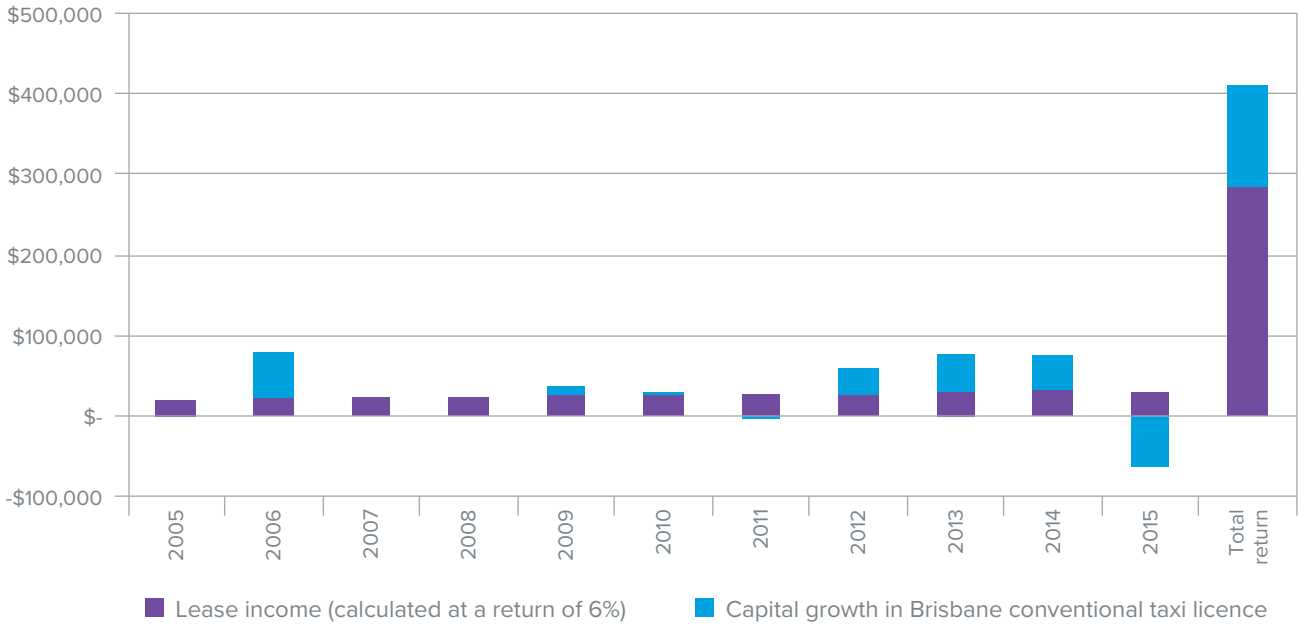
"For the LTI's [long term incumbents], it may be argued that, depending on their time of purchase and the price they paid, they could have paid off their initial investment and are facing the loss of a potential capital gain rather than realising a capital loss."

<sup>48</sup> Black and White Cabs, *Buying a taxi service licence*, available at <http://blackandwhitecabs.com.au/brisbane/buying-a-licence>

<sup>49</sup> Productivity Commission, 1999, *Regulation of the Taxi Industry*, p.31



**Figure 1** Share of lease income vs capital growth for taxi licence holder (2005–2015)



**Figure 1** above illustrates the comparison of capital growth and taxi licence income over a ten-year period for a licence holder who purchased a licence in 2005 for \$350,000 and sold in 2015 for \$474,000, earning a 6 per cent yield per annum. It demonstrates that the majority of revenue derived from holding a licence would have come from leasing the licence, rather than capital appreciation of the value of the licence.

The existing scarcity of taxi licences in the market has resulted in increased expense for taxi operators limiting their ability to reduce costs, compared to a situation where the government no longer limits entry to the market. Licence holders, meanwhile, have been the main beneficiary of this scarcity through increased annual revenue streams or revenue from leasing the licence.

Effectively, taxi licence holders have realised the benefits of regulation while customers have experienced higher costs due to the inefficient expenses built into the cost structure.

The taskforce notes that paying compensation does not recognise that licence holders have already realised benefits from the existing regulation. It is further noted that any compensation would be at the expense of broader society, significantly delaying any benefits to customers.

While it is acknowledged that changes to the current regulatory framework would require a period of market adjustment, the Managed Transition Model does not remove the right for taxis to continue operating in the market. In fact, evidence from some markets indicates that the market could grow. The taskforce has therefore considered that a reduction in regulatory burden for the taxi and limousine industry would also assist the industry to become more competitive over time.

The reforms proposed by the taskforce would continue to allow licence holders access and rights to operate as before, notwithstanding that there would be more competition in the booked market. It is anticipated that taxi licences would continue to provide a financial return to the holders.



## Hardship fund

The taskforce received submissions detailing individual taxi licence holders' personal financial circumstances. These submissions advised that the current uncertainty within the market is having a negative effect on their financial situations. Additionally, consultation has identified some common at-risk individuals including:

- individuals who have highly geared their investment with debt, in some cases providing the family home as collateral
- investors who are reliant on the income stream associated with the lease of these taxi licences, for example, self-funded retirees.

The taskforce carefully considered these submissions and believes that some measure of hardship assistance may be appropriate for these individuals through the creation of a hardship fund.

There were 168 submissions which raised the issue of transition, with 56 specifically mentioning compensation, hardship or a buyback scheme.

Any level of hardship funding would need to be determined through close consultation between the government and industry.

The taskforce also recommends consideration of establishing of a set of criteria, against which claims for hardship could be assessed transparently and in a timely fashion. The taskforce notes that the Queensland Regional Adjustment Authority (QRAA) has considerable experience in these matters.

Recipients of the hardship fund would not be eligible for further financial assistance.

### Recommendation 34:

That the Queensland Government consider whether or not to establish a hardship fund for licence holders experiencing significant financial hardship as a result of industry reform, with criteria for eligibility to be determined between industry and government. As part of the hardship fund/assistance measures, the government may also consider facilitating access to financial advice/planning professionals for these individuals.

## Adjustment payments

Typically, government does not provide assistance for private investors who suffer losses from investment activity. Indeed, sound investment practice involves ensuring appropriate due-diligence, including financial advice on the potential risk associated with the investment prior to investing significant sums of money.

The taskforce notes that there is not a strong economic rationale for the provision of any payments to existing licence holders.

The taskforce received feedback from existing licence holders who believe that in recognition of changes in the market an adjustment payment is required. This one-off adjustment assistance payment could help alleviate market uncertainty and accelerate the transition to the new regulatory regime by enabling investment in new technology.

Given such a payment is not value based on economic grounds, and would be based on a view of the government regarding what would be a fair and reasonable amount to encourage industry to either invest in new technology or adapt their operations to better compete in the new environment. The taskforce has not presented a recommendation for the level of assistance to be provided, as it considers the Queensland Government is best placed to make this decision.

The government may also, within any payment, include an allowance for individual licence holders to undertake any additional education or training (for example, training in technology and business system enhancement). It could also facilitate access to a variety of existing training programs offered by the government.

The taskforce notes that other jurisdictions have provided one-off adjustment assistance payments as follows:

- NSW – \$20,000
- SA – \$30,000
- WA – \$20,000.

In NSW the industry adjustment package is being overseen by a Taxi and Hire Vehicles Assistance Panel. The Queensland Government may wish consider establishing a similar body that could work with QRAA.

The taskforce also noted that in some other jurisdictions the ownership structure of taxi licences has been one criterion used to determine eligibility. For example, individual taxi licence holders may present a stronger case for receipt of this payment over trusts, superannuation funds or companies, which could be considered to be better placed to make informed decisions. These owners may also have greater capacity to absorb any declines in the capital value of these licences.

KPMG estimates approximately 31 per cent of the 1023 taxi licences held by companies, trusts and superannuation funds were purchased prior to 2006. The taskforce also notes that approximately 1354 (61.3 per cent) of taxi licences held by individuals were purchased before 2006. A further 115 taxi licences (3.5 per cent) have been held by the same licence holder for more than 20 years, with another 1082 licences (33.2 per cent) held by the same licence holder for more than 10 years.

The taskforce notes that other jurisdictions (NSW and SA) announced the implementation of an adjustment payment through a user-pays model where the costs are recouped via a \$1 levy per trip for all personalised transport journeys, which the Queensland Government may wish to consider.

Alternatively, the Queensland Government may wish to consider the benefits of introducing a temporary floor price scheme for licences while the industry adjusts to the implementation of reforms in lieu of an adjustment payment. Structural change in an industry often leads to periods of uncertainty in which the value of assets becomes ill defined and subject to wide (often downwards) fluctuations over or above what would happen if the market was fully informed. In such circumstances, temporary interventions such as floor price mechanisms are often used to stabilise the asset market within the industry and sponsoring the development of a workable asset trading market.

Administering industry adjustment programs is a complex matter and requires specialist expertise to ensure that it is managed in a timely way. Again, as for any potential hardship arrangement, QRAA is a Queensland Government agency that could potentially work with the Commissioner to establish appropriate adjustment processes for industry. The QRAA's primary function is to properly and fairly administer state and federally approved schemes of support to Queensland primary producers and small businesses.<sup>50</sup> As such it is well placed to provide expertise on managing any adjustment program, including any floor or price scheme, that may be recommended by government.

**Recommendation 35:**

That the Personalised Transport Commissioner work with the Queensland Regional Adjustment Authority (QRAA) on development of any potential programs including hardship and adjustment.

**Recommendation 36:**

That the Queensland Government consider whether or not to provide a one-off adjustment payment to individual taxi licence holders to assist and accelerate the transition for incumbents to a new regulatory environment.

**Recommendation 37:**

That the Queensland Government consider whether or not to ask the Personalised Transport Commissioner to work with Queensland Regional Adjustment Authority (QRAA) to investigate the establishment of any potential floor price scheme for taxi licences to address any potential fluctuations in the market.

<sup>50</sup> Queensland Regional Adjustment Authority, 2013, *Corporate Profile*, available at <http://www.qraa.qld.gov.au/about-qraa/corporate-profile>

### 4.3 RAISING AWARENESS OF REFORMS

The experience in other jurisdictions has identified the need for customers and industry participants to be informed about the changes proposed. The taskforce notes that stakeholder consultation emphasised the need for a comprehensive communication strategy to inform all parties – customers, licence holders, operators, drivers, TBCs, ride-sourcing licence holders and RMS providers of any new arrangements.

#### Industry and public awareness campaign

The taskforce strongly believes that government support, through a targeted industry and community awareness strategy delivered by TMR, would help stakeholders adapt to the proposed reforms and transition process.

Any industry awareness program should target both existing and new participants, and clearly explain their responsibilities and obligations under the new framework, to support their understanding of and adjustment to the changes.

The taskforce recommends that a public awareness strategy—targeted at the customer—be run concurrently with any industry awareness activity, to help the public understand the benefits to them, the new industry structure, and their rights and responsibilities as a customer under the new framework.

For example, customers using booked services in SEQ will have more choice in fares. Safety issues would be an important element of this campaign, including making the public aware of new vehicle branding requirements (particularly for ride-sourcing services).

The taskforce recommends that changes and reforms be implemented in both the short and long term. Understanding how these changes would be implemented would require regular and consistent information sharing with the industry and community.

#### Recommendation 5:

That an industry and customer awareness communication strategy be implemented by the Department of Transport and Main Roads, to help personalised transport industry participants and customers understand their new obligations and responsibilities.



# Appendix A

## Terms of Reference

### BACKGROUND

An independent Review of personalised transport services in Queensland will be conducted to ensure that the regulatory framework supports the delivery of a service that meets the needs and expectations of the Queensland community.

This sector provides direct and indirect employment to thousands of workers. These services provide necessary transportation services to the business, leisure and tourist sectors, local communities, and essential transport to health services, including tailored services for people with a disability or mobility issues.

The Queensland Government regulates the provision of taxi and limousine services through the *Transport Operations (Passenger Transport) Act 1994* (TOPTA) and the *Transport Operations (Passenger Transport) Regulation 2005* (TOPTR). The current legislation regulates the following:

- Driver and operator entry requirements (criminal history, medical checks, driver training and so on);
- Vehicle requirements (vehicle types, ongoing inspections, age limits);
- Fare structures, including the setting of maximum taxi fares;
- Driver conditions such as taxi driver bailment agreements;
- Security measures such as taxi security camera systems;
- Minimum service levels for taxi booking companies operating under contract with TMR;
- Taxi Subsidy Scheme; and
- Market entry restrictions (taxi licences and contracts for the administration of taxi services).

The Queensland taxi industry operates within a protected marketplace, with little fundamental change made to the structural framework in recent decades. There are currently 3260 taxi licences in Queensland (with a combined value of approximately \$1.4 billion) operating in 97 declared taxi service areas and 580 limousines in Queensland, one of which is wheelchair accessible.

The need for the Review is driven by:

- The upcoming expiration of the Queensland Taxi Industry Strategic Plan 2010-2015;
- The emergence of new technology-based innovations that are challenging the current regulatory model;
- A visible change in the needs and expectations of consumers using taxi, limousine and rideshare services and the wider community; and
- Recommendations in the Commonwealth's Competition Policy Review (March 2015) that industry reform is long overdue and the current regulatory framework could be improved.

### SCOPE OF THE REVIEW

The Review will investigate opportunities to uphold safety standards, meet customer needs, increase competition and foster innovation in the delivery of personalised transport services to Queenslanders, by considering the current economic, social and regulatory environment.

Personalised transport services include taxi and limousine services and other services provided for a fare where the passenger determines the destination. Matters for consideration as part of the Review include:

- The safety of the community and drivers;
- The delivery of a flexible legislative framework that supports competition and innovation for all participants;
- Customer opinions of rideshare services;
- Steps undertaken by the taxi industry in adapting to changing customer needs and expectations;
- Supporting a sustainable industry that is forward looking and fosters innovation;
- Competition in the sector, including vertical integration, anti-competitive practices and incentives for innovation;
- The provision of affordable and customer-focused services;
- The needs of the community across Queensland, including those with disabilities or reduced mobility;

- The current and potential role of taxis, limousines and rideshare services in an integrated transport system, with a focus on the role of these services to foster social inclusion;
- Transitional arrangements from the current regulatory and service arrangements to the recommended model;
- Other models and new approaches to delivering personalised transport services both in Australia and overseas;
- Potential use of personalised transport services by participants of the National Disability Insurance Scheme;
- Operational procedures and practices within the sector; and
- Any other related matters.

The Review must identify what a potential future market state could look like. This may include, but is not limited to:

- An appropriate long term regulatory framework, focused on service outcomes, where costs do not exceed the public benefits;
- Recommendations that will identify pathways and strategies for implementation;
- Providing affordable and consumer-focused services;
- Addressing the needs of the community across Queensland, including those with disabilities or reduced mobility;
- The safety of the community and drivers;
- Delivering a flexible legislative framework that accommodates future progression and supports innovation for all operators in the market;
- Appropriate compliance strategies and enforcement measures which can adapt in line with industry progression; and
- Supporting an economically sustainable industry that is forward-looking and fosters innovation.

There are a number of other personalised transport services regulated by the Queensland Government that may be considered alternatives/substitutes for taxi and limousine services, for example community transport and courtesy transport. While the role of these services, and how they relate to the personalised transport sector, should be considered during the Review, particularly regarding a flexible regulatory framework, recommendations to reform these services are not within scope of this Review.

## ROLES AND RESPONSIBILITIES

The Review will be undertaken by an independent Taskforce comprising a Chair, Deputy Chair and one other member. At any meeting of the Taskforce, the majority of members will constitute a quorum, though the Chair or Deputy Chair must be one of the majority.

The independent Taskforce will be supported by a Review Secretariat which will report to the Chair of the Taskforce. The independent Taskforce will be responsible for the following key activities:

- Engagement and consultation with stakeholders and the wider community;
- Development of shared set of guiding principles to shape the reform options and recommendations for Government consideration;
- Development of a Consultation Paper to support public discussion on reform options;
- Reporting on progress to the Deputy Premier; and
- Development of a Final Report that presents recommendations and reform options, and details a preferred option, for Queensland Government consideration.

A Reference Committee will be formed comprising senior officers from key Queensland Government agencies, including the Department of the Premier and Cabinet, Queensland Treasury, Queensland Health, the Department of Justice and Attorney-General, the Queensland Police and Ambulance Services, the Department of Transport of Main Roads, the Department of Communities, Child Safety and Disability Services, and the Department of Tourism, Major Events, Small Business and the Commonwealth Games. Other agencies may be invited to attend during the Review process where necessary/relevant.

The Reference Committee will provide advice to the Taskforce regarding any key matters relating to the respective agency. As the regulator TMR will provide input through the Reference Committee.

# Appendix B

## Taskforce membership

### **JIM VARGHESE AM, CHAIR**

Jim Varghese AM is Chairman and owner of The Leadership Company Qld Pty Ltd, and Director and former CEO of the Springfield Land Corporation. He is also the Executive Director (Business Development) of the Australia India Institute.

Jim holds a Bachelor of Arts with Honours in contemporary Australian History and Bachelor of Divinity from the University of Queensland. He also holds a Master of Business Administration and a Diploma in Education from Melbourne University. Jim is a fellow of the CPA, Australian Institute of Management and Australian Marketing Institute, and is member of the Australian Institute of Company Directors.

Jim's distinguished public sector career includes tenure as the CEO of the South East Queensland Transit Authority, and various appointments as the Director-General for the Main Roads, Education, Employment and Training, and Primary Industries and Fisheries departments. Jim has been involved in a number of policy reforms, including the introduction of the Prep year, the 'New Basics' framework, and water management in Queensland. He has also played a key role in commercialising forestry, water, road construction and aviation, and was Chairman of Aviation Australia Ltd. Jim was also involved in managing crises such as citrus canker, the Gladstone oil spill, Cyclone Larry and equine influenza. He has also served on the senate of the University of Queensland, Council of Queensland University of Technology and is currently on the Council of the University of Southern Queensland.

Jim is the Deputy Chair of the Puuya Foundation serving the Lockhart River indigenous community.

Jim Varghese was awarded the Order of Australia and Centenary Medal for services to the public sector and wider community.

### **JULIE-ANNE SCHAFER, DEPUTY-CHAIR**

Julie-Anne Schafer is a non-executive director of companies including CS Energy, AvSuper, Aviation Australia Pty Ltd and Catholic Church Insurance Limited. In late December 2015, she was appointed as President of the National Competition Council. Julie-Anne is an accomplished director, a Fellow of the Australian Institute of Company Directors, and holds an Honours

degree in Law. She has diverse experience across highly regulated sectors including financial services, member service and transport. She has Australian Stock Exchange, unlisted public company, government and advisory experience, and the governance, risk management, strategy and stakeholder engagement experience that is associated with each.

Julie-Anne has led the Royal Automobile Club of Queensland (RACQ), the Queensland Law Society and the Solicitors' Board of Queensland. She has been a National Transport Commissioner, a director of Queensland Rail and a director of the Australian Automobile Association. She was Deputy Chancellor of the Queensland University of Technology (QUT), an Adjunct Professor in law at The University of Queensland (UQ) and a member of Law Faculty Advisory Committees at Griffith and Bond Universities, QUT and UQ. Julie-Anne was previously a partner in professional legal service firms for 25 years, specialising in commercial and insurance matters. Julie-Anne facilitates for the Australian Institute of Company Directors in the areas of risk, strategy and governance and is also a former Queensland Telstra Business Women's Award winner.

### **MAREK KOWALKIEWICZ, TASKFORCE MEMBER**

Professor Marek Kowalkiewicz is an academic and industry leader with extensive experience in conducting academically sound research, co-innovating with industry and university partners, and delivering innovative products to the market. Currently, as Professor and PwC Chair in Digital Economy, he leads Queensland University of Technology's research agenda to inform and influence a robust digital economy in Australia. Marek manages a contemporary research portfolio and converts industry driven opportunities into research outcomes of global relevance. He is an invited government expert, university lecturer and project lead, as well as an inventor and author.

Marek is recognised as a top quality manager and excellent public speaker, and has an interest in working with stakeholders in developing innovative ideas, ground-breaking business applications and high-impact new technologies.

# Appendix C

## OPT Review Green Paper consultation process

The OPT Review Green Paper was supported by a comprehensive consultation program that included three face-to-face forums and five online discussion forums.

The submissions and consultation period opened at 12pm, Friday 20 May and closed at 5pm, Sunday 12 June.

The Green Paper was available on the OPT Review website in both PDF and as an accessible Word document. Hard copies were also sent to stakeholders on request.

The launch of the paper, and announcement of the submissions period, was advertised through:

- radio, print and digital media channels across the state
- OPT Review social media channels
- OPT Review website
- emails to stakeholders
- media release, shared with state-wide media channels.

As at 13 July 2016, the Green Paper had been downloaded from the OPT Review website 580 times since launching on 20 May.

### Face-to-face consultation forums

The taskforce held three face-to-face forums across the state:

- Townsville—Friday 27 May, attended by 46 stakeholders
- Mackay—Monday 30 May, attended by 25 stakeholders
- Brisbane—Wednesday 1 June, attended by 145 stakeholders.

### *Themes and issues*

- Data integrity
- Subsidisation for industry
- Deregulation
- Sharing economy vs. traditional economy
- Compensation
- Increasing viability for taxis through increasing yields
- Community transport
- Taxis having rank and hail market solely is of no benefit

- Companion driving
- Need for further reviews
- Separation of South East Queensland and regional Queensland
- Introduction of special event vehicle licence
- Surge pricing
- CTP insurance and liability
- Licence restrictions
- Tax and government revenue
- Merging of TSAs
- Accessibility, and provision of wheelchair accessible services
- Enforcement
- Viability and sustainability of Uber model
- Changes to universal service obligations and impacts
- Chain of responsibility
- Ensuring a 24/7 service
- Bailment agreements and Enterprise Bargaining Agreements
- Caps on ride-source vehicles
- Level playing field.

### Online forums

Five online forums were held during the Green Paper consultation period, split into five topics and run over two weeks:

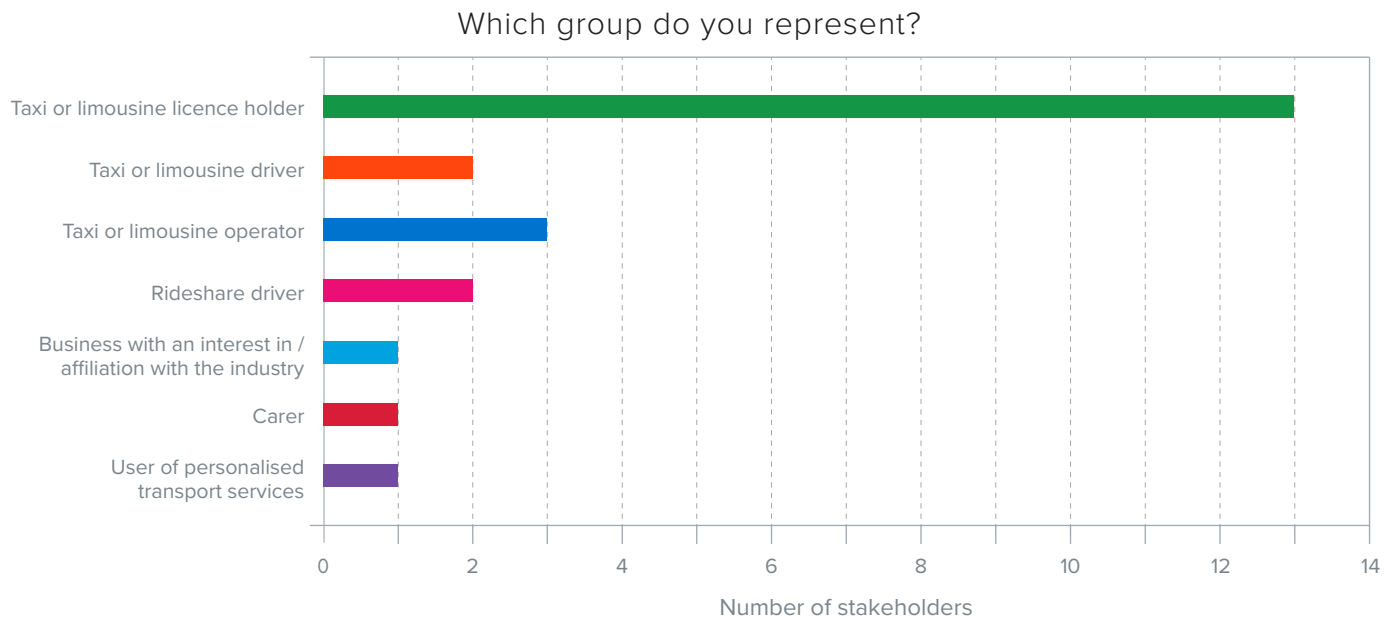
- Monday 30 May—Thursday 3 June: Proposed scenarios and reform options
- Monday 6—Thursday 10 June: Alternative reform initiatives
  - The sharing economy
  - Future industry oversight
  - Chain of responsibility
  - Future regulatory framework and the public interest.

Twenty-three people participated in the online forums, providing 133 comments.

The online forums were not used as a formal feedback method; rather, the forums were opened to promote discussion among OPT Review stakeholders on key topics from the paper.



**Figure 2** Online forum participation



### Themes

The comments from the five forums were grouped and summarised into some common themes, listed below. The forums were also shared in full with the taskforce, to consider in the development of their final recommendation.

#### Proposed scenarios and reform options

- Government regulation and innovation
- Benefits of TBC affiliation
- Wheelchair accessible services (and accessibility in general)
- Safety
- ‘Insulating’ regional centres from SEQ
- Compliance
- Minimum service standards
- Definition of ride-sourcing
- Costs to the industry (and impacts on fares to the customer)
- First and last mile
- Driver conditions.

#### Chain of responsibility

- Enforcement of, and compliance with current laws and regulations
- Universal service obligations
- Booking company/operator responsibility.

#### Future industry oversight

- Self-driving cars/autonomous vehicles
- Transfer of licences (and move to innovative/new approaches)
- Role of the Commissioner or oversight body
- Enforcement and compliance (and associated penalties)
- Provision of accessible services.

#### Future regulatory framework

- High degree of intervention accepted
- Replacement of mass transit with smaller ride-sourcing vehicles
- Must always be some level of regulation – public interest.

#### The sharing economy

- Compensation
- Self-driving vehicles
- Enforcement of current laws and regulations
- Lack of public consultation during the review
- Regulation of sharing economy vs. regulation of standard economy
- Safety precautions and risk management
- Universal service obligations
- Definition of sharing economy.

## Market research

### Focus groups

To ensure a balanced view of feedback on the Green Paper options, qualitative research (managed by Colmar Brunton, a market research company) was undertaken with six focus groups:

- users between 18 and 35 (two groups held)
- users over 65
- users with a disability or mobility issue
- non-users
- users and non-users in a regional centre.

The focus groups were asked to consider the scenarios and alternative reform options presented in the Green Paper.

The main finding from the groups was that the proposed reforms were very focused on the industry impact. While participants held some concern for the potential effect of changes on industry, the focus of their discussions was the customer perspective.

Safety was the overarching concern for the groups – both passenger safety and driver safety.

Respondents also identified the issues facing the taxi and limousine industry, including:

- the taxi industry is too heavily regulated
- the amount paid to operate a taxi is too high
- the fees charged by taxis are too high
- the level of customer service in the taxi industry is not good enough
- ride-sourcing is not regulated
- ride-sourcing companies do not pay tax
- ride-sourcing has an unfair advantage to operate
- there needs to be an even playing field for all operators.

The ideal scenario for participants is positioned somewhere between Scenarios 2 and 3, as those models were flexible enough to allow for evolution and innovation within the industry. Many preferred Scenario 2 as an option to trial the new reforms in SEQ before a state-wide roll out.

### Customer survey

Further quantitative research was undertaken with both users and non-users, to gain a wider perspective on the proposed scenarios and reform options.

Also managed by Colmar Brunton, the survey was completed by 2024 people, with the following representation across the state:

- South East Queensland: 1220 (60%)
- Southern Queensland: 409 (20%)
- Central Queensland: 130 (6%)
- Northern Queensland: 265 (13%).

It should be noted here that 53 per cent of respondents were between 46 and 75 years of age, and 43 per cent aged 45 or younger. Five per cent of respondents were older than 75.

Over three-quarters (77 per cent) of people surveyed had used personalised transport in the last 12 months, and almost two-thirds (around 60 per cent) of those people surveyed agreed that ride-sourcing should be legalised.

NB: percentages have been rounded to the nearest whole percent.

The scenarios were presented to participants as they were in the Green Paper – there was no further opportunity to ask for clarification or discuss possible issues. Of the people surveyed, the majority found Scenarios 1 and 2 – with Scenario 2 opening the SEQ market to ride-sourcing – appealing or very appealing:

- 64 per cent found Scenario 1 appealing or very appealing
- 64 per cent found Scenario 2 appealing or very appealing
- 59 per cent found Scenario 3 appealing or very appealing
- 43 per cent found Scenario 4 appealing or very appealing.

NB: participants were asked to rate **each** scenario, rather than pick a preferred option.

Based on these responses, it appears there is support throughout the state for some change within the industry, and the legalisation of ride-sourcing services.

Participants were asked for more specific feedback on a number of reform options:

- **First and last mile:** 12 per cent (individual) and 14 per cent (as a group) of respondents would use personalised transport to get to/from their house to their nearest public transport stop or station.
- **Designated ride-sourcing zones:** 45 per cent of respondents said they would feel safer having a designated zone for ride-sourcing pick-ups and drop-offs.
- **Subsidies for wheelchair accessible taxis:** 62 per cent of respondents agreed that government should subsidise taxi operators who provide services in WATs.
- **Removal of maximum fares:** respondents were nearly evenly split on this point. 36 per cent supported the removal of maximum fares (with a cap on surge pricing at peak times), whereas 40 per cent did not support the removal. While it was explained that maximum fares are not set per trip (rather, by kilometre), this may support the recommendation of a future education campaign for the community.
- **Capping surge pricing:** 56 per cent of respondents agreed that there should be a cap on surge pricing at all times.

## Feedback on the Green Paper

A total of 1242 submissions were received across three methods—online, email and post—representing views from a range of stakeholders across industry and community:

- email: 368
- online (via the OPT Review website): 203
- post: 671

It should be noted that 722 of those submissions were campaign letters, from both the taxi and ride-sourcing industry, with 566 alone sent via post.

All submissions were analysed to inform the deliberations of the taskforce.

Figure 3 Submissions by method

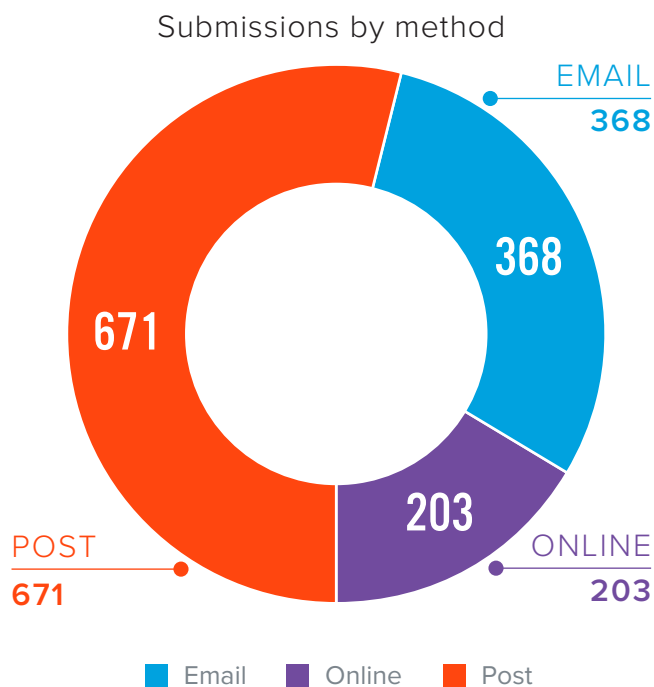
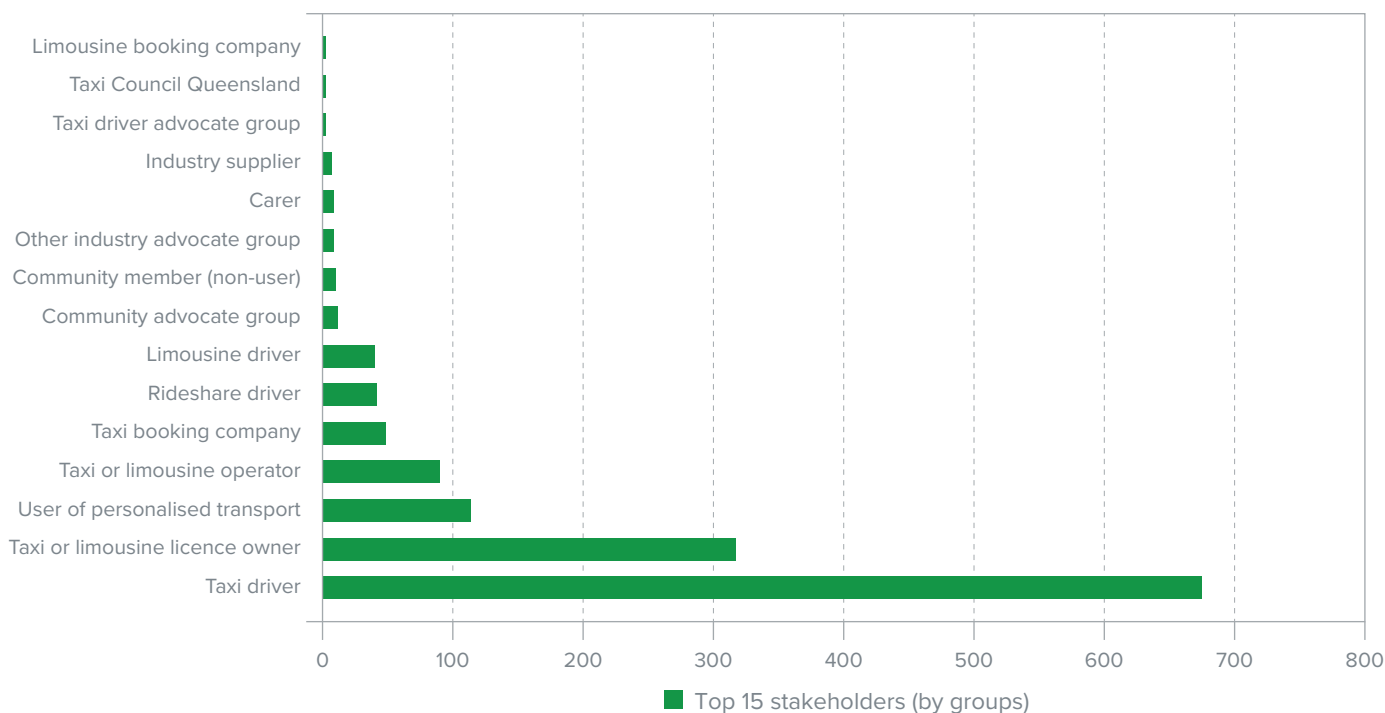


Figure 4 Top 15 stakeholder groups

NB: While taxi drivers appear to be the largest stakeholder group engaged during this process, it should be noted that more than half of the submissions received were deemed to be a campaign/form letter from taxi drivers.

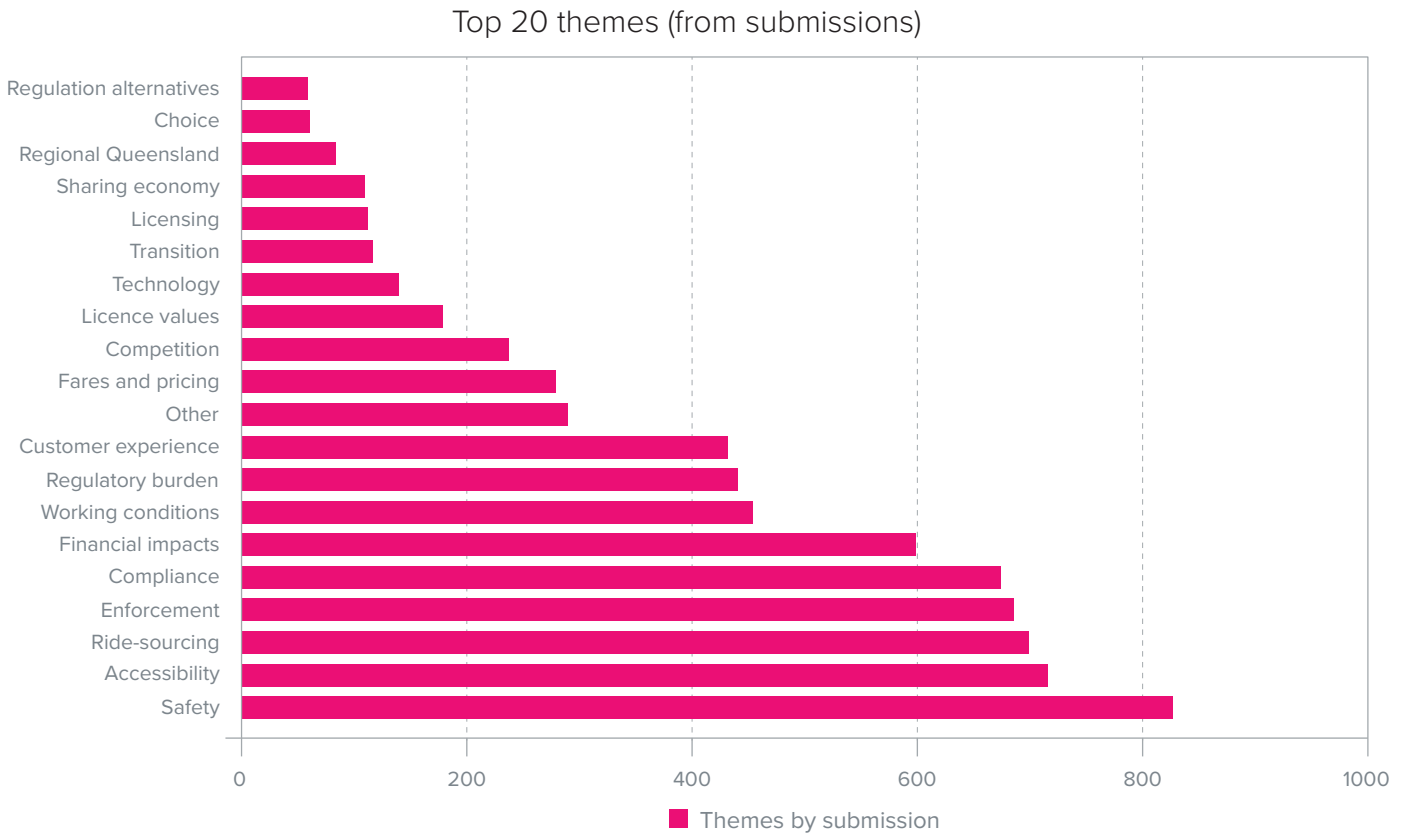
Top 15 stakeholders (by groups)



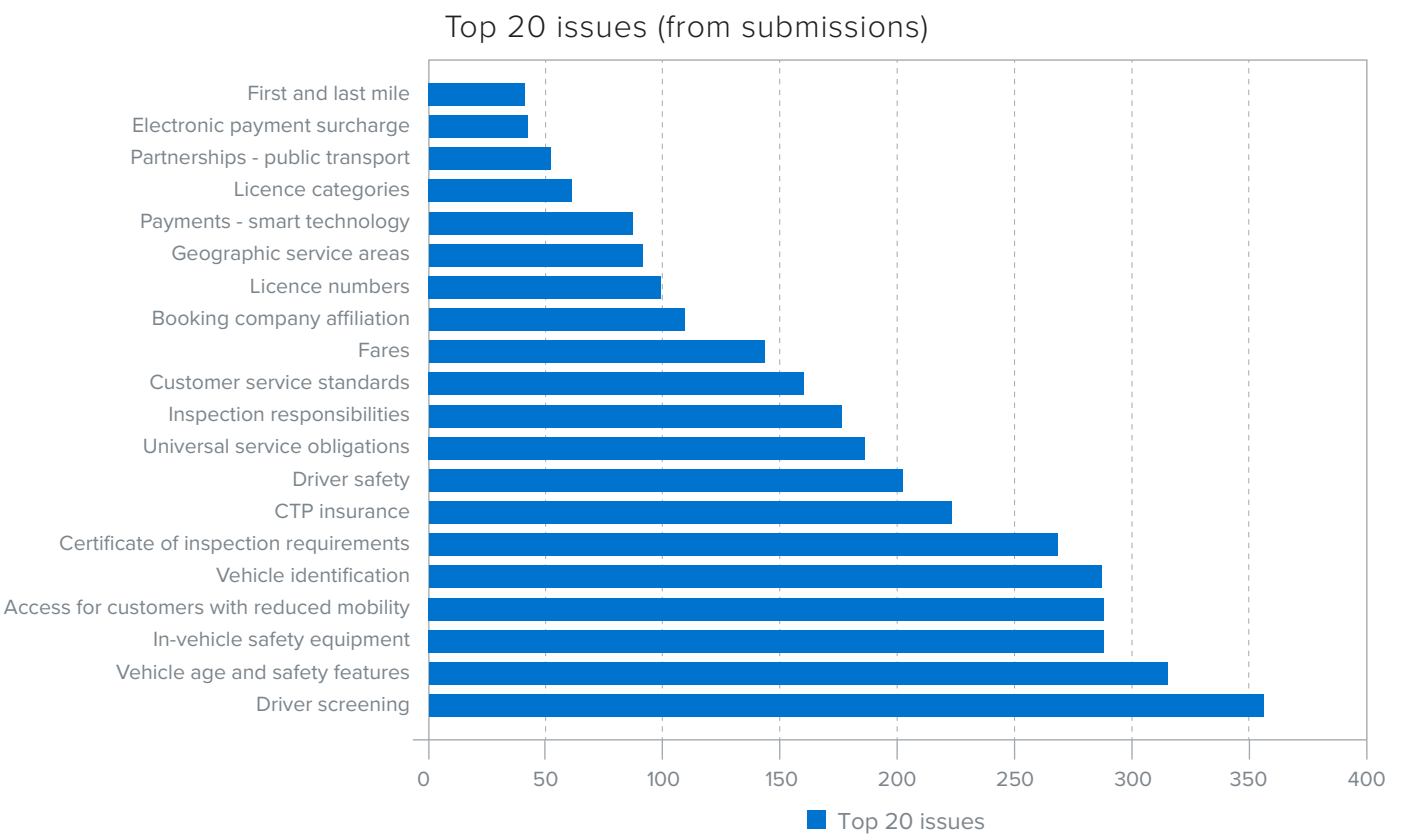
## Themes

Submissions were analysed under the main themes raised, which scenarios were supported (or not), and the issues or reform options raised.

**Figure 5** Top 20 themes (from submissions)



**Figure 6** Top 20 issues from submissions



Analysis of these submissions identified strong support for the need for better driver screening and training, the importance of safety in the industry – both for passengers and drivers (including vehicle identification) – and the need for all industry participants to have an equal responsibility in terms of regulation and operating costs (such as CTP insurance).

Although out of scope for this review, tax and GST was mentioned in a number of submissions as being a key issue for some stakeholders; in particular, stakeholders felt strongly that all personalised transport companies should be registered in Australia or Queensland, and contribute GST and tax.

### *Industry Commissioner*

Among the submissions that specifically discussed the option of an industry Commissioner, there was support for the introduction of this role, and the importance for the future industry.

Primarily, it was felt that a Commissioner would have more flexibility to respond to changes in the demand and supply of services, and ensure any new regulation continues to meet emerging trends, challenges or opportunities that may arise.

### *Transition arrangements and compensation*

A majority of identified taxi industry submissions support some type of compensation package for current licence holders, with varying levels of support for which point in time licence values should be determined.

A number of submissions also refer to a possible ‘buy back’ or leasing program, where the government buys back licences at their peak value and then either resells them at market values to interested parties, or leases them to current lease holders (at a rate higher or equal to other states).

Qualitative research (focus groups) also indicated some level of support for protection or compensation for current taxi licence holders.

### *Response to scenarios*

541 submissions did not directly express whether they supported a particular scenario or not.

Of the submissions that did mention a scenario, the majority still support some form of regulation – 40 submissions discussed Scenarios 2 and 3, while 594 expressed Scenario 1 as their preferred option (although 408 of these were determined to be campaign letters from industry stakeholders). 16 submissions mentioned Scenario 4.

### *Regulation and compliance*

Nearly 60 per cent of submissions shared concerns about the lack of compliance of other personalised transport service providers, and suggested the impact that would have on customer safety.

There was overwhelming support for the same, consistent regulations across all modes of personalised transport. This was supported by focus group research, where participants supported the introduction of ride-sourcing services, but felt they should be subject to the same rules as taxi services and drivers.

However, these same participants (or, at least, those who had used ride-sourcing previously) also expressed some concern that increased regulation would increase costs for ride-sourcing drivers and discourage them from driving.

### *Licensing*

431 submissions discussed licensing, across a number of different topics:

- licence values (in some cases, this was linked to suggestions for transition)
- licence numbers (e.g. capping the number of ride-sourcing licences available)
- licence categories (e.g. providing one licence category for limousine and ride-sourcing services)
- licence duration (such as moving licences from perpetual to annual, and suggesting annual ride-sourcing licences).

The biggest concern among industry stakeholders – both taxi and limousine – was the drop in licence value since 2014, and the inability to sell these licences at their perceived value. For many, this raised an argument for some form of hardship or compensation payment.

There was some support for the introduction of a new ride-sourcing licence category – provided those services were subject to the same requirements as other personalised transport services.

This was also evident in focus group feedback – where participants supported the legalisation of ride-sourcing, but some level of regulation would need to be imposed. As users or non-users of personalised transport services, participants also felt there needed to be more transparency in the way licences are used and how fares are determined – “cost of fares should not be based on licence cost”.

### *Fares and payments*

Seven per cent of submissions specifically mentioned surge pricing as a particular concern to them, or that they did not support the use of surge pricing.

This was consistent with results from the quantitative survey, where 56 per cent of respondents supported a cap on surge pricing at all times. Focus group research also supported a maximum fare for rank and hail services to avoid expensive 'spikes' or changes in price.

### *Vehicles*

During consultation, vehicle age limits was raised as a key issue for consideration by the taskforce.

However, support for this issue was divided among stakeholders, between keeping the current age restrictions, keeping age restrictions but amending them, or removing age restrictions altogether (particularly for vehicles attached to limousine licences).

When removing or extending age restrictions, it was suggested that regular vehicle inspections be maintained, and the vehicles remain in service as long as they successfully passed inspection.

### *Safety*

Safety was the biggest issue raised across the submissions received by the taskforce, and was the overarching concern for focus group participants.

Feedback focused on both driver and passenger safety, with both being of equal importance in any future regulation.

Many submissions shared the current requirements of taxi services, in regards to safety (e.g. cameras, GPS tracking), and felt these same regulations and requirements (like background checks for drivers) should apply across all participants in the industry. They also shared examples of tools already being used to manage driver and passenger safety – such as, driver duress alarms or driver fatigue requirements.

Focus group feedback agreed with this view, but while there was some concerns about the safety of ride-sourcing, there were also concerns about the safety of taxis (such as roadworthy vehicles, driver fatigue, drivers in unfamiliar areas).

Many stakeholders were supportive of the proposed introduction of zero blood alcohol content across all personalised transport drivers.

### *Booking company affiliation*

Among the 148 submissions that specifically recommended TBC affiliation, there was strong support for the importance of retaining this as a mandatory requirement of market participants.

Focus group participants supported this stakeholder view, with some concern about what the removal of mandatory TBC affiliation would mean for services – in particular, possible loss of accountability and lowered safety standards.

## Stakeholders consulted (as at 13 July 2016)

1	ACT Government
2	Advanced Management Services
3	Anti-Discrimination Commission Queensland
4	Australian Taxi Industry Association
5	Black and White Cabs
6	Brisbane Airport Corporation Pty Ltd
7	Brisbane City Council
8	Cairns Taxis
9	Carers Australia (QLD)
10	Centre for Internet Safety, University of Canberra
11	Cerebral Palsy League
12	Chauffeured Vehicle Association (SA)
13	ComLink Limited
14	Complete Taxi Management
15	COTA Queensland
16	Deloitte
17	Department of Communities, Child Safety and Disability Services (QLD)
18	Department of Education and Training (QLD)
19	Department of Justice and Attorney-General (QLD)
20	Department of Local Government, Infrastructure and Planning (QLD)
21	Department of Planning, Transport and Infrastructure (SA)
22	Department of Science, Information Technology and Innovation (QLD)
23	Department of the Premier and Cabinet (QLD)
24	Department of Tourism, Major Events, Small Business and the Commonwealth Games (QLD)
25	Department of Transport and Main Roads (QLD)
26	Department of Transport (NT)
27	Department of Transport (WA)
28	Department of Veterans' Affairs
29	Ernst and Young
30	First Class Taxis Pty Ltd
31	Garden City Cabs
32	GoCatch
33	Gold Coast Cabs
34	GovStrat
35	Griffith University
36	Ipswich City Council
37	Katter Party Australia (QLD)
38	Liberal National Party (QLD)
39	Limousine Association of Queensland
40	London Taxi Company (Australia) Limited
41	Mandurah Taxis Pty Ltd (WA)
42	Motor Accident Insurance Commission
43	MRCagney
44	Neoteric Technology Solutions
45	NetCabs Pty Ltd
46	Nine Squared
47	Noel Whittaker
48	Point to Point Transport Taskforce (NSW)
49	PricewaterhouseCoopers
50	Prime Taxi Management
51	Queensland Aged and Disability Advocacy
52	Queensland Disability Advisory Council
53	Queensland Health
54	Queensland Police Service
55	Queensland Productivity Commission
56	Queensland Regional Adjustment Authority
57	Queensland Taxi Owners and Drivers Welfare Association
58	Queensland Tourism Industry Council
59	Queensland Treasury
60	Queensland United Hire Drivers Association
61	Queensland University of Technology
62	Queenslanders with Disability Network
63	RACQ
64	Ride Share Drivers Association of Australia
65	Spinal Injuries Association
66	Spinal Life Australia
67	Standard White Cabs Townsville
68	Sterling Taxi Management
69	Suncoast Cabs
70	Taxi Council of Queensland
71	Taxi Council of South Australia
72	Taxi Industry Forum of Western Australia
73	Transport for New South Wales
74	Transport Workers Union
75	Uber
76	University of Queensland Business School
77	VerifEye
78	Victorian industry review representative
79	Vision Australia
80	Yellow Cabs

# Appendix D

## Indicative regulatory costs for taxis, limousines and ride-sourcing as at 30 June 2016

Regulatory costs per annum to taxi industry\*

REGULATORY REQUIREMENT	STATUS QUO	MANAGED TRANSITION MODEL
<b>DRIVER</b>		
Driver authorisation		
<ul style="list-style-type: none"> <li>• new application</li> <li>• annual licence fee<sup>51</sup></li> </ul>	\$40 \$136	\$40 to be determined
Training <sup>52</sup>	\$550	to be determined
English assessment <sup>53</sup>	\$80	\$80
Medical assessment <sup>54</sup>	\$15	\$15
Uniforms	\$100	\$100
<b>Total</b>	<b>\$921</b>	<b>\$235</b>
<b>OPERATOR</b>		
Operator accreditation	\$165	\$165
In-vehicle safety equipment <sup>55</sup>	\$1667 industry estimate	\$200 approximately
TBC mandatory affiliation <sup>56</sup>	\$7700	\$7700
Taxi cleaning <sup>57</sup>	\$1860	n/a
CTP insurance	\$6132	unknown
<b>Total</b>	<b>\$17,524</b>	<b>\$8065 (excluding CTP)</b>
<b>OWNER</b>		
Operator accreditation	\$165	\$165
Licence renewal fee	\$166	\$166
Certificate of inspection costs at approved inspection stations	\$152	\$76
Secure ranks levy	\$374	\$374
<b>Total</b>	<b>\$857</b>	<b>\$781</b>
<b>TBC</b>		
Operator accreditation	\$165	\$165
Taxi service contract fee (varies with fleet size)	\$166–\$1658	\$166–\$1658
<b>Total</b>	<b>\$331–1823</b>	<b>\$331–1823</b>

\* Costs are rounded to the nearest dollar. The table excludes costs for vehicle registration, vehicle insurance, and maintenance (considered as necessary costs beyond the regulators ability to control) and exempt taxi areas.

<sup>51</sup> Longer terms available. 2 years \$212, 3 years \$282, 4 years \$352, 5 years \$422

<sup>52</sup> This is a once only fee from *Black and White Cabs. Taxi driver training course information.*

<sup>53</sup> This is a once only fee from *Black and White Cabs. Taxi driver training course information.*

<sup>54</sup> Averaged from \$75 every 5 years.

<sup>55</sup> \$10,000 establishment averaged over 6 years conventional taxi life – contract areas only

<sup>56</sup> Contract areas only – average cost for conventional taxis. LEK report to TMR 2010. Fees vary between 4–5% of taxi revenue

<sup>57</sup> TMR, 2013, *Review of the taxi cost fare index model: Taxi fleet mix change.*



Regulatory costs per annum to limousine industry\*

REGULATORY REQUIREMENT	STATUS QUO	MANAGED TRANSITION MODEL
<b>DRIVER</b>		
Driver authorisation		
<ul style="list-style-type: none"> <li>• new application</li> <li>• annual licence fee<sup>58</sup></li> </ul>	<p>\$40</p> <p>\$136</p>	<p>\$40</p> <p>to be determined</p>
Training	n/a	n/a
English assessment	n/a	n/a
Medical assessment <sup>59</sup>	\$15	\$15
<b>Total</b>	<b>\$191</b>	<b>\$55</b>
<b>OPERATOR</b>		
Operator accreditation	\$165	\$165
In-vehicle safety equipment	n/a	n/a
TBC mandatory affiliation	n/a	n/a
CTP insurance	\$626	unknown
<b>Total</b>	<b>\$791</b>	<b>\$165 (excluding CTP)</b>
<b>OWNER</b>		
Operator accreditation	\$165	\$165
Licence renewal fee	\$166	\$166
Certificate of inspection costs at approved inspection stations	\$152	\$76
Secure ranks levy	n/a	n/a
<b>Total</b>	<b>\$483</b>	<b>\$407</b>
<b>TBC</b>		
Operator accreditation	n/a	n/a

\* Costs are rounded to the nearest dollar.

<sup>58</sup> Longer terms available. 2 years \$212, 3 years \$282, 4 years \$352, 5 years \$422

<sup>59</sup> Averaged from \$75 every 5 years.

## Regulatory entry costs for ride-sourcing\*

REGULATORY REQUIREMENT	MANAGED TRANSITION MODEL
<b>DRIVER</b>	
Driver authorisation (new application)	\$40
Annual licence fee	to be determined
English assessment	\$80
Medical assessment <sup>60</sup>	\$15
Uniforms	n/a
RMS registration fee	unknown
In-vehicle safety equipment <sup>61</sup>	\$200 approximately
Ongoing costs to RMS	determined by industry (eg percentage of gross revenue)
Operator accreditation	n/a
Licence renewal fee	n/a
Safety certificate costs at approved inspection stations	\$75
CTP insurance	unknown
Secure ranks levy	n/a
<b>Total</b>	<b>\$410</b>
<b>RIDE-MATCHING SERVICE (RMS) PROVIDER</b>	
Operator accreditation	n/a
Network contract fee	unknown
<b>Total</b>	<b>unknown</b>

\* Costs are rounded to the nearest dollar. The table excludes costs for vehicle registration, vehicle insurance, and maintenance (considered as necessary costs beyond the regulator's ability to control).

<sup>60</sup> Averaged from \$75 every 5 years.

<sup>61</sup> \$1200 establishment averaged over 6 years conventional vehicle life

# Appendix E

## Services provided by taxi booking companies

The following functions have been categorised by type – activities associated with either a booking service (B) or co-regulatory function (CR)

DESCRIPTION OF FUNCTION UNDERTAKEN ON BEHALF OF AFFILIATED OPERATORS	TYPE
Receiving bookings and dispatching taxis	B
Marketing and branding	B
Ensuring driver authorisation conditions are continually met for criminal and driving offences	CR
Ensuring all driver training requirements are met	CR
Ensuring driver English proficiency assessment is met	CR
Managing driver fatigue and ensuring safe operation of vehicles	CR
Ensuring that 24/7 service is available through shift scheduling	CR
Ensuring correct fares are charged	B/CR
Record keeping for trips, fares and incidents	CR
Ensuring confidentiality of data	B/CR
Ensuring MSL wait times are met for conventional taxis and WAT vehicles	CR
Reporting MSL data and incidents to the regulator	CR
Developing peak demand management plans	CR
Ensuring vehicle standards are maintained	CR
Ensuring camera operation and downloads are in accordance with regulations	CR
Complaint handling	CR
Lost property collection	CR

The following is a list of contracted areas in which TBCs operate:

- Brisbane
- Ipswich
- Redcliffe
- Gold Coast
- Bundaberg
- Cairns
- Gladstone
- Gympie
- Hervey Bay
- Innisfail
- Mackay
- Maryborough
- Mount Isa
- Rockhampton
- Sunshine Coast
- Toowoomba
- Townsville
- Capricorn Coast (Yeppoon)

# Appendix F

## KPMG economic modelling analysis

This appendix has been removed upon advice from the Department of Transport and Main Roads as it is commercial-in-confidence

# Appendix G

## Synergies Economic Consulting economic analysis

This appendix has been removed upon advice from the Department of Transport and Main Roads as it is commercial-in-confidence

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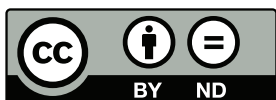
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