

29 May 2015

Competition Policy Review  
C/o General Manager  
Small Business, Competition and Consumer Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

<Submitted electronically>

Dear Sir or Madam,

**Re: Competition Policy Review Final Report**

Thank you for inviting industry bodies to respond to the Competition Policy Review's Final Report, released on 31 March. Taxi Council Queensland ("TCQ") again thanks the Review Panel and Treasury for allowing this opportunity to meaningfully engage and present the views of our industry.

TCQ commends the intention behind the Final Report. We agree that governments should not limit competition, except in circumstances where there is a demonstrable public policy imperative. Through this submission, however, we would like to respond to a number of key points and recommendations.

**Taxi Deregulation**

In our submission we discussed that deregulation of taxi services has not been successful in other jurisdictions and deregulation in Australia would not provide for the community service obligation that is currently set out by Australian governments.

The final report discussed deregulation under the assumption that it would guarantee a series of benefits. The report, however, ignores the fact that deregulation has not provided those benefits in other jurisdictions, or where some benefits have been observed the market conditions are so disparate to those that exist in Australia, as to make meaningful comparison impossible.

In our previous submission, in response to the Review Panel's Draft Report, we referenced a study undertaken by Dr Paul Dempsey. Dr Dempsey summarised the empirical data from a range of studies into taxi deregulation in 21 major cities across the United States.

Dr Dempsey found seven common impacts of deregulation across the jurisdictions:

1. A significant increase in new entries;
2. A decline in operational efficiency and productivity;
3. An increase in highway congestion, energy consumption and environmental pollution;
4. An increase in fares;
5. A decline in driver income;
6. A deterioration in service; and
7. Little or no improvement in administrative costs.

Our submission also referenced a domestic study, by Professor Des Nicholls from the Australian National University, which came to similar conclusions when analysing the only deregulated market in Australia, the Northern Territory.

Taxi Council Queensland would hope that any proposed regulatory changes would carefully consider the issues raised by these studies. We also hope the Australian Government would recognise the variance in outcomes achieved in deregulated jurisdictions (domestically and internationally). Deregulation therefore offers little or no certainty of achieving the Review's stated competition policy outcomes.

In reading the Final Report we believe the Competition Review Panel has demonstrated a preoccupation with the inputs, ignoring the outcomes. We warned of this in our submission:

*“Overall, Taxi Council Queensland believes the Review Panel’s focus on the deregulation of inputs ignores the other end of the spectrum, that is, the outputs. After all, the purpose of government regulation is to ensure a certain level and availability of services is provided to consumers (the outputs), rather than to ensure there are a certain number of taxis operating in the industry (the inputs).”*

The Final Report quotes TCQ's submission, stating the need for a system that guarantees certain minimum standards, but then appears to discuss the restrictions on taxi licences, as if the two issues are not related.

Governments and the community have been quite clear to this point in stating the services and assurances they desire from a taxi service. It is not clear from the Final Report how a taxi system that is unregulated would provide these benefits.

### **Anti-Competitive Conduct**

Taxi Council Queensland's submission discussed that the anti-competitive conduct of illegal ridesourcing providers could potentially damage the long-term interests of the consumer.

The Terms of Reference for the Review state that the Review Panel should make recommendations that align with the principle that *'no participant in the market should be able to engage in anti-competitive conduct against the public interest within that market and its broader value chain'*.

Uber, a global multinational, is currently flaunting Australia's laws to build market share, at the expense of the legal taxi industry. The Queensland taxi industry is mostly comprised of small business owners who abide by the laws and regulations set down by governments over many decades.

In other jurisdictions, once Uber has built market share they have then fought to prevent other entrants and have increased prices. There are even instances where, once Uber has achieved market dominance, they have lobbied governments to increase regulation in an effort "ring fence" their ill-gotten gains.

TCQ notes that the Final Report states that "regulation" should not simply "protect existing business models". We believe it is also important that competition reform ensures that large players cannot disrupt markets illegally against the long-term interests of consumers.

### **Taxi Licence Numbers**

In our previous submission, we discussed the notion of scarcity. The cost of taxi licences is often referred to as an indicator that the industry is over regulated, to the disadvantage of the consumer. As the cost of

obtaining a taxi licence is set by the Queensland Government, decision makers have the option to extract high fees for taxi plates for a good source of revenue, or set a low fee for public policy reasons.

The Competition Review appears to be fixated by the regulation of licences, stating it limits the response to consumer demand, without providing references to this being the case in the unique Queensland taxi market.

Licence fees have not limited competition in Queensland, nor has the unique nature of booking companies servicing a defined geographic area, as a taxi licence fee does not impact on the fare for customers. Minimum fares for taxis are set by the Queensland Government and, therefore, there is no way to directly recover the cost of taxi licences through increased fares.

The taxi industry has a service obligation to operate 24/7 and not just to operate at off-peak times to earn a return on the licence.

We firmly attest the central discussion point should be whether service obligations should remain, and what regulation is required to uphold service expectations from the government and customers.

Finally, in Queensland there is no limit placed on who can become a taxi driver. There is unlimited capacity to become a qualified and accredited driver, yet there is currently an under-supply of drivers in this State. If indeed there were too few taxi licences available in Queensland, it would indicate that existing drivers would be making good profits. This would, in turn, drive demand for people wanting to become qualified drivers. This simply is not occurring.

### **New Technology and Ride Sourcing**

In our previous submission, we outlined the highly competitive nature of the Queensland taxi industry, exemplified by the industry's consistent efforts to use innovation and new technologies for passenger transport. Queensland was the first State to introduce computer dispatch systems on a wholesale basis in 1988. More recently, taxi smartphone apps were introduced in 2011. The introduction of these apps occurred well prior to the introduction of illegal app-based 'ridesharing' (or ridesourcing) services in 2014.

The Competition Policy Review encourages innovation and entrepreneurialism. This notion however, does not necessarily factor-in the unique travel requirements of certain members of society. Currently, Queensland taxi companies must provide a service that accepts all reasonable requests, whereby passengers are served in sequential order, with the exception of wheelchair-accessible taxis, which must give priority to passengers with special needs.

While Taxi Council Queensland welcomes the comments made by the Panel that illegal activity is not endorsed, nor encourages new service providers to defy laws or regulations, all other concerns raised have not been addressed in the report in regards to the 'technologically innovative' aspects of 'ridesharing business.'

Innovation is vital in order to keep pace with the ever-changing demands of the consumer market, especially for new technologies that can ultimately improve competitiveness, customer service, customer and driver safety and industry productivity. The difference between the legal and illegal taxi

industry is purely with regard to the payment platform. The illegal ridesharing apps do not accommodate the needs of more vulnerable customers; legal taxi services are required to do so.

### **Recent ATO Ruling**

Recently, the Australian Tax Office (ATO) clarified how tax laws apply to 'ridesharing' (more correctly described by the ATO as, 'ridesourcing') services. The ATO has ruled that these are taxi services. The ruling states that if an individual provides ridesourcing services to the public, then the individual is likely to be carrying out an enterprise. In the event the individual does not have an ABN and is not registered for GST, then this must be obtained by 1 August 2015.

This ruling recognises the legal taxi industry and the illegal ridesourcing industry as equal operators. Service provision requirements imposed on the Queensland taxi industry currently are not equally enforced upon the ridesourcing industry.

This is of particular concern to Taxi Council Queensland, due to the fact that the high service obligations – which put customer safety and driver experience at the forefront – are not reflected in the service provision of the ridesourcing industry.

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Taxi Council Queensland welcomes any opportunity to engage further with Treasury to discuss the points detailed in this letter.

If you wish to discuss these topics, or anything further relating to the Queensland taxi industry, feel free to contact me on (07) 3434 2100 or at [ceo@tcq.org.au](mailto:ceo@tcq.org.au).

Yours faithfully,

**Benjamin Wash**  
Chief Executive Officer  
Taxi Council Queensland