



INVESTIGATION INTO THE RESERVE
PRICES OF OWNER-OPERATOR TAXI
LICENCES: 1 DECEMBER 2021 TO
31 DECEMBER 2025

ISSUES PAPER

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INVITATION FOR SUBMISSIONS

This Issues Paper has been prepared by the Tasmanian Economic Regulator to:

- set out the Regulator’s approach to his investigation into the reserve prices for owner-operator taxi licences in Tasmania;
- seek stakeholder views on the issues raised in the Issues Paper; and
- invite comments and submission on any matters relevant to the investigation.

The Regulator’s policy is to publish all submissions on the Office of the Tasmanian Economic Regulator’s (OTTER) website unless the author of the submission requests confidentiality in relation to the submission (or any part of the submission). Those parts of a submission that are requested to be confidential should be submitted as an attachment to that part suitable for publication.

The Regulator will not publish submissions which contain material that the Regulator believes is, or could be, derogatory or defamatory.

Submissions should be sent by the close of business on Friday 13 August 2021.

To facilitate the publication of submissions on OTTER’s website, submissions by email are preferred. Submissions and enquiries may be made to:

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A copy of this Issues Paper may also be found at OTTER’s website:
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1 INTRODUCTION

In December 2020, changes were made to the *Taxi and Hire Vehicle Industries Act 2008* to require the Tasmanian Economic Regulator to set reserve prices for owner-operator taxi licences for each of the 24 taxi areas across Tasmania, commencing in December 2021.

The reserve prices of owner-operator taxi licences are the minimum price that new owner-operator taxi licences can be purchased from the Transport Commission in Tasmania.

Before setting these prices, the Regulator must conduct an investigation. The first report that sets these prices, called a price determination, must be completed before 1 December 2021 and will apply for December 2021 and the next four calendar years, that is until the end of 2025.

On 23 June 2021, the Regulator issued a notice of the investigation to all taxi licence holders which set out the purpose of the investigation, the period over which the investigation will be held and when comments and submissions will be sought.

This Issues Paper sets out some background information and the issues the Regulator considers to be relevant for the investigation. This includes the matters that the Regulator intends to take into account in his investigation and subsequent price determination.

The Regulator invites comments and submissions on the issues covered in this paper and on any other matters relevant to the investigation. These will assist the Regulator to decide how to conduct the investigation and identify the issues he will take into account in setting reserve prices for owner-operator taxi licences in Tasmania.

The Regulator's draft report and draft price determination will set out the Regulator's intended reserve prices and is scheduled to be issued by 17 September 2021.

The Regulator will also seek comments on the draft report and draft price determination before making the final determination by 30 November 2021.

1.1 Terms of Reference for the investigation

The terms of reference for the Regulator's first investigation and price determination are in the Taxi and Hire Vehicle Industries Act.

The Act sets out two objectives:

- (a) to assist in the development of efficient pricing and competition for taxi licences; and
- (b) to promote a safe taxi transport system that responds adequately to consumer demand for taxi services.

The Act also requires that for December 2021, the reserve prices of OOTLs in all taxi areas must not be less than 90 per cent of the reserve price that had applied for that area. If the reserve price in a taxi area was \$20 000, for example, the Regulator cannot set the price for December 2021 at under \$18 000.

The Act also requires that, for the four calendar years from 2022 to 2025, the reserve prices must not be less than 90 per cent of the reserve price in the previous year. If the Regulator set the reserve price at \$19 000 for December 2021, for example, the Regulator cannot set the price for 2022 at under \$17 100.

The Act requires the Regulator to consider the following matters:

- (a) the impact that reserve prices would have on existing holders of taxi licences;
- (b) market trends in relation to the amounts paid for the transfer of taxi licences;
- (c) the number of licences that have been transferred, in the period that the Regulator thinks fit, before the investigation commences; and
- (d) any other matter that the Regulator considers relevant.

1.2 Summary of issues for comments and submissions

Chapter 3 of this Paper discusses a range of matters that the Regulator intends to consider during the investigation. It also includes a set of questions on which he seeks comments or submissions. These questions are set out below.

1. Did the reserve prices for OOTLs reflect their value in Hobart, in those other areas where some OOTLs have been sold and in those areas where no OOTLs have been sold?
2. Why have so few OOTLs been sold outside Hobart?
3. What are the key factors that operators, especially new operators, consider in assessing whether to purchase OOTLs and how significant is the OOTL reserve price?
4. Would changes in OOTL reserve prices, with no other changes, encourage more purchases of OOTLs by new operators?
5. Can changes in OOTL reserve prices encourage more competition for the purchase of PTLs?
6. If the reserve price of OOTLs in a taxi area is increased or decreased, how might this lead to changes in the market value of PTLs and OOTLs in that area?
7. How do banks and other financial institutions value PTLs and OOTLs and what impact can changes in these valuations have on holders of PTLs and OOTLs?
8. How have the recent decreases in taxi licence values in Hobart and Launceston affected taxi licence holders?
9. How should the Regulator take into account safety-related factors in determining OOTL reserve prices?
10. If the reserve prices of OOTLs are increased or decreased, how might this affect safety standards in Tasmania's taxi industry?
11. How might increased levels of competition affect safety in Tasmania's taxi industry?

12. In Tasmania’s taxi areas, especially the urban taxi areas, what is the capacity of the taxi industry at current taxi numbers to respond to any growth in demand for taxi services?
13. In taxi areas where there are few, or no taxis operating, would lower reserve prices for OOTLs attract operators into the taxi industry?
14. Has the modest uptake of OOTLS constrained opportunities for innovation in Tasmania’s taxi industry?
15. Are there any impacts on existing holders of taxi licences, taxi operators and drivers, or on potential entrants to the taxi industry or on customers arising from the level of OOTL reserve prices that you consider are of special importance?
16. Are there any other issues not covered in this Issues Paper that the Regulator should consider in setting OOTL reserve prices?

2 THE TAXI INDUSTRY IN TASMANIA

2.1 Overview

The taxi industry in Tasmania provides on-demand public passenger services through rank and hail services and pre-booked services. Only taxi businesses can provide rank and hail services, while pre-booked services can be provided by businesses operating ride-sourcing vehicles, luxury hire cars and restricted hire vehicles.

A taxi licence is required for a vehicle that provides taxi services and taxi drivers must be authorised by having a taxi ancillary certificate. In addition, taxi fares are regulated. The Transport Commission sets maximum taxi fares, which vary according to the time of day and also between taxi areas. Taxi regulation also covers where taxi services may be offered, how they may be offered (soliciting passenger trade is not allowed, for example), and safety-related vehicle requirements.

Unlike many industries that are subject to extensive regulation such as electricity and water and sewerage businesses, investors and operators in the taxi industry can be small scale ‘mum and dad’ investors and operators. Their wealth and income can be significantly affected by changes in legislation, such as permitting ride-sourcing vehicles to operate in Tasmania. They can also be affected by decisions of regulatory bodies such as the Transport Commission in setting taxi fares, and now the Regulator in setting reserve prices for owner-operator taxi licences.

In urban areas, taxi booking and dispatch services are usually coordinated by taxi radio rooms. Most taxi businesses in these areas need to be associated with a radio room for their pre-booked work, for which they pay fees. In rural areas, however, taxis do not usually operate out of a radio room and calls from users go directly to the driver, who will coordinate his or her own bookings.

The taxi industry has faced strong competition from ride-sourcing businesses in recent years. There are currently around 1 500 vehicles in the State registered for providing ride-sourcing services, which is more than twice the number of taxi licences issued.

The taxi industry has also been adversely affected by the restrictions imposed by governments as a result of the COVID-19 virus. When restrictions are imposed, especially lockdowns, the demand for taxi services can fall to very low levels. Also, in urban areas, fares from and to airports and cruise ships comprise an important source of demand for many taxi businesses. Much of this demand has ceased with the COVID-19 virus and it is uncertain when the demand for taxi services may recover.

2.2 Taxi licences in Tasmania

Tasmania contains 24 taxi areas, many of which correspond with current or former council boundaries. The supply of new taxi licences in all taxi areas is managed by Transport Commission under the *Taxi and Hire Vehicle Industries Act 2008*.

There are four types of taxi licence:

- Perpetual taxi licences (PTLs) - PTLs are the personal property of the owner and may be freely sold or leased to accredited operators. Most taxi licences in Tasmania are PTLs, though no new PTLs may be issued.
- Owner-operator taxi licences (OOTLs) - introduced in 2008. The owners of OOTLs must be the operators of the taxi business (though not necessarily the taxi driver). OOTLs cannot be leased but may be traded, but only to an accredited individual and with the approval of the Transport Commission. Around 80 per cent of OOTLs in Tasmania have been issued for taxis operating in the Hobart area.
- Wheelchair-accessible taxi (WAT) licences - introduced in 2005. WAT licence numbers are uncapped and there is no licence price. WATs may only be operated by the accredited operator that also holds the licence. Unlike PTLs and OOTLs, WAT licences apply for a fixed period (10 years).
- Temporary taxi licences (TTL) – a TTL is similar to an OOTL, but is issued for a short term period only, at the discretion of the Transport Commission. Currently, there are no active TTLs in any taxi area.

Table 1 below shows the distribution of taxi licences across Tasmania’s taxi areas. Of the 624 taxi licences, 357 or around 57 per cent are for the Hobart taxi area, which encompasses Greater Hobart.¹ A further 119 licences (19 per cent) are for the Launceston taxi area. Around three quarters of all taxi licences are for operations in these two urban areas, with the remaining one quarter of all licences distributed among the remaining 22 taxi areas.

In some taxi areas, especially Hobart and Launceston, there are many separate taxi businesses in competition. In other taxi areas, all taxi licences may be owned by the one person.

Table 1 Tasmanian taxi licences for each taxi area (current and lapsed taxi licences), as at 13 June 2021.²

	Owner-Operator Taxi Licences		Perpetual Taxi Licences		Wheelchair-Accessible Taxi Licences	
	Current	Lapsed	Current	Lapsed	Current	Lapsed
Hobart	89	0	228	0	40	0
Launceston	3	0	101	0	14	1
Burnie	0	0	21	1	0	0
Devonport	6	0	23	0	11	0
Ulverstone	2	0	7	0	2	0
George Town	0	0	5	0	0	0
Perth	5	0	8	0	0	0
West Tamar	0	0	2	0	0	0
Meander Valley	0	0	2	0	0	0
Circular Head	0	0	5	0	0	0
Break O'Day	0	0	3	0	0	0
New Norfolk	0	0	9	0	0	0
Huon Valley	3	0	5	0	0	1

¹ The population in the Hobart taxi area is approximately 237 000 or 44 per cent of Tasmania’s population.

² A taxi licence may be lapsed if the licence owner does not pay the annual administration fee, in which case the taxi to which the licence applies cannot operate. If the owner pays the fee, the Commission will allow the taxi to operate again as soon as possible.

		Owner-Operator Taxi Licences		Perpetual Taxi Licences		Wheelchair-Accessible Taxi Licences	
		Current	Lapsed	Current	Lapsed	Current	Lapsed
Glamorgan/Spring North	Bay	0	0	0	2	0	0
Kentish		0	0	0	0	0	0
Penguin		0	0	2	0	0	0
Tasman		1	0	2	1	0	0
Dorset		0	0	3	0	0	0
Glamorgan/Spring South	Bay	0	0	0	3	0	0
Bruny Island		0	0	0	2	0	0
Central Highlands		0	0	0	0	0	0
Flinders Island		0	1	0	1	0	0
King Island		0	0	1	0	0	0
West Coast		0	0	2	7	0	0
Total		109	1	428	17	67	2

2.3 The release of new owner-operator taxi licences

Under the Taxi and Hire Vehicle Industries Act, new owner-operator taxi licences can be issued in each taxi area. Under the standard arrangements, by 30 September each year and for each taxi area, the Transport Commission must make available at a reserve price the number of OOTLs that is equal to 5 per cent of the total number of PTLs and OOTLs in that area (rounded to the nearest whole number), or one OOTL, whichever is greater.

For example, for a taxi area with 95 PTLs and five OOTLs, the Commission must make available five OOTLs at the reserve price for that taxi area. If, in another area, there are only 10 PTLs and no OOTLs, the Commission must make one OOTL available.

A tender process is run to sell these OOTL and the actual sale prices may be above the reserve prices. If the average tender price in a taxi area is more than double the reserve price, the Commission must make available a further 5 per cent of the total number of PTLs and OOTLs, or an additional single OOTL, whichever is greater, at the reserve price.

Any OOTLs that are not sold through this process remain available for sale for the rest of the year at the reserve price. These taxi release arrangements have been in place for most years since 2008. Table 2 below presents these reserve prices, which have been unchanged since 2008.

The reserve prices of OOTLs are therefore important as they set the minimum price for new taxi licences in each taxi area when they are made available as set out above. However, as Table 1 shows and as explained below, the number of OOTLs sold has been very low, except for in Hobart.

Recent amendments to the Act have paused these standard taxi licence arrangements from 2020 to 2024. No OOTLs can be released until 2025 unless the Transport Commission is satisfied that there are insufficient taxis available in any taxi area to meet the needs of consumers. If the Commission is satisfied there are insufficient taxis available, the OOTLs would be made available by tender at the reserve price, as set by the Regulator.

Unless the Transport Commission issues additional licences as explained immediately above, the first year when the reserve prices, as set by the Regulator, will have any effect on the release of new OOTLs, and therefore the number of taxi licences in Tasmania, will be 2025.

Table 2 Reserve prices of owner-operator taxi licences (until 2020)

Taxi area	OOTL reserve price
Hobart	\$60 000
Launceston	\$35 000
Burnie	\$23 000
Devonport	\$23 000
Ulverstone	\$17 250
George Town	\$12 500
Perth taxi	\$12 500
West Tamar	\$12 500
Meander Valley	\$12 500
Circular Head	\$11 250
Break O'Day	\$10 800
New Norfolk	\$10 800
Huon Valley	\$7 500
Glamorgan/Spring Bay North	\$3 750
Kentish	\$3 750
Penguin	\$3 750
Tasman taxi	\$3 750
Dorset taxi	\$2 250
Glamorgan/Spring Bay South	\$1 875
Bruny Island	\$1 000
Central Highlands	\$1 000
Flinders Island	\$1 000
King Island taxi area	\$1 000
West Coast taxi area	\$1 000

2.4 Outcome of the tenders for owner-operator taxi licences since 2008

For most years between 2008 and 2020³, owner-operator taxi licences were offered for sale in all 24 taxi areas in Tasmania. In almost all of these areas, taxi services have been provided by businesses with PTLs and also, in the urban areas, WAT licences.

Except the Hobart taxi area, however, very few OOTLs have been sold. Of the 110 OOTLs sold, 89 OOTLs were for the Hobart taxi area (81 per cent). These OOTLs were sold at prices that were equal to, or marginally higher than, the reserve price of \$60 000.

³ The standard release process for OOTLs was suspended between 2016 and 2017 (and for 2018 for the Hobart taxi area) when ride-sourcing was first authorised in Tasmania. Some owner-operator taxi licences were sold during 2016, which were the OOTLs made available by the tender in 2015 and were not sold then so they continued to be available for purchase until 30 September 2016.

The number of OOTLs sold in the other taxi areas, including urban areas, has been very modest. In the Launceston taxi area, for example, three OOTLs only have been sold, even though there are 101 PTLs and 14 WAT licences in that area. Six OOTLs have been sold in Devonport and five OOTLs have been sold in Perth, while in four taxi areas, between one and three OOTLs have been sold. In 17 taxi areas, no OOTLs have been sold, including the Burnie taxi area.

As with Hobart, in all other taxi areas where OOTLs have been sold, the prices have been at, or only marginally higher than, the reserve prices.

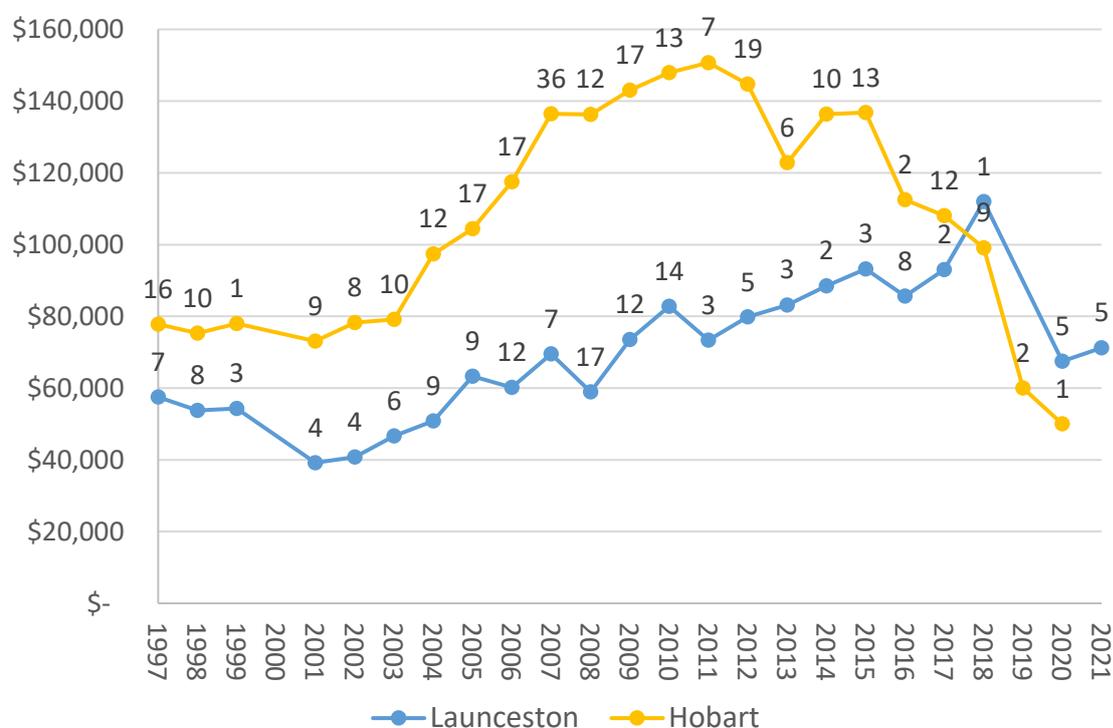
2.5 Trends in the traded prices of taxi licences

The only taxi areas that have sufficient data to examine trends in the traded prices of perpetual taxi licences are Hobart and Launceston, and only taxi area that has sufficient data to examine trends in the traded prices of owner-operator taxi licences is Hobart.

Unlike the tendered prices that are paid to the Transport Commission, purchase prices from trades result from exchanges between two private sector parties and are reported by taxi licence holders voluntarily when transferring ownership. These figures cannot be verified and may contain reporting errors. The price of a reported transaction may, for example, include a taxi vehicle as well as the taxi licence, or may reflect the price paid for a taxi business. There have been enough trades, however, for trends in prices to be observed.

Figure 2.1 below shows the average traded prices of PTLs for Hobart and Launceston for each year since 1997. The numbers above each line are the number of PTL trades reported in each year.

Figure 2.1 Average PTL traded prices for the Hobart and Launceston taxi areas

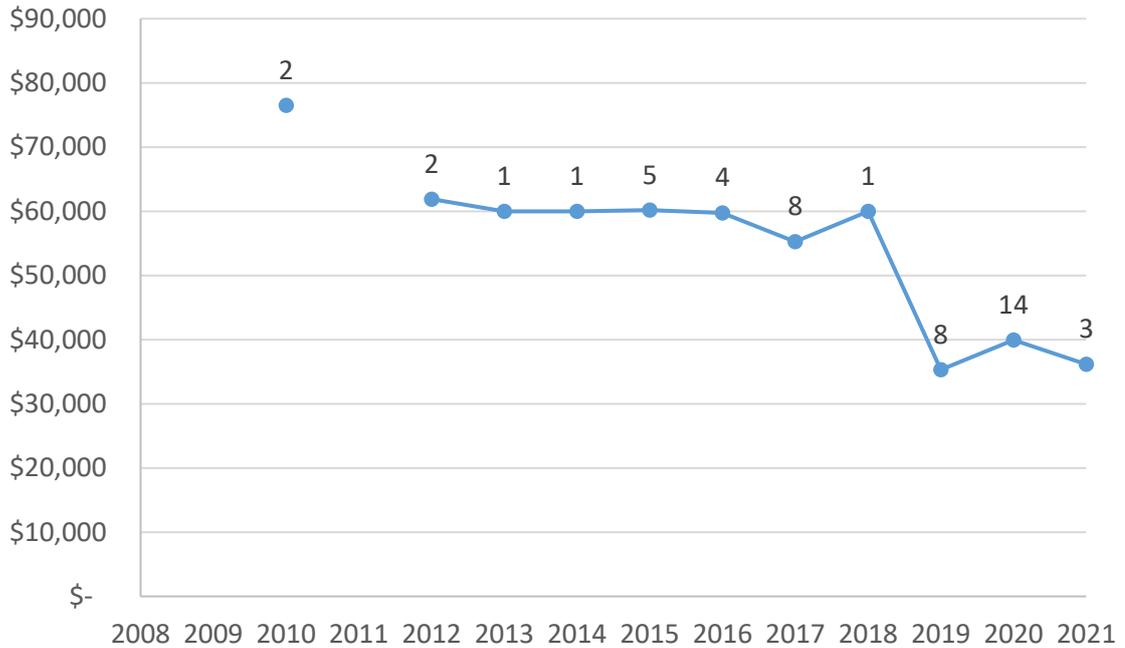


For the Hobart taxi area, PTL prices increased from almost \$80 000 in the earlier 2000s to above \$150 000 in the early 2010s. Since then, however, prices have declined sharply, to around \$50 000 in 2020.

A similar trend has occurred in Launceston until 2015, with PTL prices increasing from around \$50 000 in the earlier 2000s to just over \$90 000 by 2015. By 2021, prices declined to around \$70 000, a much more modest decline compared to Hobart.

The trend of declining taxi licence prices in Hobart is also reflected in the traded prices of OOTLs in Hobart. From prices around \$60 000 from 2013 to 2018, which was the reserve price, OOTL trade prices have declined to around \$36 000 (Figure 2.2 below, where the numbers above the line show the number of OOTL trades in that year).

Figure 2.2 Average OOTL traded prices for the Hobart taxi area



There were insufficient OOTL trades in Launceston or any other taxi area to identify any price trends.

3 SOME ISSUES THE REGULATOR INTENDS TO CONSIDER DURING THE INVESTIGATION

This section identifies some issues the Regulator intends to consider in the investigation and subsequent reserve price determination.

3.1 The development of efficient pricing and competition for taxi licences

In setting OOTL reserve prices, one objective is to “assist in the development of efficient pricing and competition for taxi licences”. Here, ‘taxi licences refers to all types of licences, including perpetual taxi licences (PTLs).

The Regulator is interested in understanding the extent to which the reserve prices that were in place until 2020 achieved this objective, and how any changes to reserve prices, for each of the taxi areas, would affect the efficient pricing and competition for taxi licences.

It appears that the OOTL reserve price in Hobart has not discouraged OOTL purchases. In all other taxi areas, however, there have been factors that have discouraged the purchase of OOTLs. These may have included:

- the reserve price of OOTLs being too high;
- unwillingness to pay for, or lack of access to, services from a radio room;
- insufficient demand for taxi services in the taxi area, given the number of taxi licences issued for that area and competition from other services such as ride-sourcing;
- difficulties in securing accreditation as taxi operators; and
- unavailability of authorised taxi drivers.

The Regulator intends to examine whether, in cases where OOTLs have not been sold, they have been above the price that reflects their true market value, which may be considered the ‘efficient’ price.

It is also important for the Regulator to understand if, and how, the reserve prices for OOTLs may affect the prices, and therefore the market value, of PTLs, setting aside all the other factors that impact on PTL prices.

The Regulator is also interested in assessing what role, if any, OOTL reserve prices may have in encouraging competition, namely new operators, in a taxi area (rather than encouraging the purchase of OOTLs by existing operators).

Did the reserve prices for OOTLs reflect their value in Hobart, in those other areas where some OOTLs have been sold and in those areas where no OOTLs have been sold?

Why have so few OOTLs been sold outside Hobart?

What are the key factors that operators, especially new operators, consider in assessing whether to purchase OOTLs and how significant is the OOTL reserve price?

Would changes in OOTL reserve prices, with no other changes, encourage more purchases of OOTLs by new operators?

Can changes in OOTL reserve prices encourage more competition for the purchase of PTLs?

3.2 Key features of taxi licences

In setting reserve prices, the Regulator is required to consider the impact that reserve prices would have on existing holders of taxi licences.

A taxi licence has many features of an asset and can be traded.⁴ Licence holders consider their licences represent part of their wealth. Financial institution such as banks may value a holder's taxi licence based on the recently traded prices for these licences, or potentially the published reserve price of OOTLs, for the relevant area.

As noted above, many investors and operators in Tasmania's taxi industry can be small scale, for whom a change in taxi prices can have a significant impact on their overall wealth and perhaps their credit rating.

Changes in the reserve prices in a taxi area may have an impact on the value of PTLs and OOTLs in that area either as a result of more OOTLs being sold and therefore more taxis operating in that area, or more directly by the way these licences are valued by financial institutions.

The Regulator is interested in understanding how changes in reserve prices in Tasmania's taxi areas might impact on the prices of PTLs and OOTLs in that area and the impact on licence holders. This is considered especially important given the decline in PTL and OOTL prices in those taxi areas where they have been traded.

If the reserve price of OOTLs in a taxi area is increased or decreased, how might this lead to changes in the market value of PTLs and OOTLs in that area?

How do banks and other financial institutions value PTLs and OOTLs and what impact can changes in these valuations have on holders of PTLs and OOTLs?

How have the recent decreases in taxi licence values in Hobart and Launceston affected taxi licence holders?

⁴ The *Taxi and Hire Vehicles Industry Act 2008* contains a section that states that a PTL is the personal property of the licence holder. There are no equivalent provisions for other licence types.

3.3 The role of OOTL reserve prices in promoting the safety of taxi drivers, passengers and the general public

Under the *Taxi and Hire Vehicles Industry Act 2008*, an objective of the Regulator’s price determination is to promote a safe taxi transport system.

The Government’s main reason for regulating the taxi industry is to ensure that driver, passenger and public safety is appropriately protected. The regulatory framework includes range of safety-related requirements which include:

- the accreditation scheme for taxi operators;
- driver authorisation through the ancillary certification regime, together with the setting of road rules and blood alcohol restrictions; and
- safety-related vehicle requirements including specialist equipment such as in-car security cameras.

This is supported by an inspection and enforcement regime which can, in cases of breaches, lead to taxi operators losing their accreditation, taxi drivers losing their authorisation and, in some cases, the prosecution of taxi operators, drivers and other persons.

The Regulator seeks information on how the safety of taxi drivers, passengers or the general public in Tasmania might be affected by changes in OOTL reserve prices (with no other changes).

The Regulator is particularly interested in any evidence on whether increased levels of competition within the taxi industry would affect safety in Tasmania’s taxi industry.

How should the Regulator take into account safety-related factors in determining OOTL reserve prices?

If the reserve prices of OOTLs are increased or decreased, how might this affect safety standards in Tasmania’s taxi industry?

How might increased levels of competition affect safety in Tasmania’s taxi industry?

3.4 The role of OOTL reserve prices in assisting the taxi industry to respond to consumer demand

The *Taxi and Hire Vehicles Industry Act 2008* also requires the Regulator, in setting OOTL reserve prices, to promote a taxi industry that responds adequately to consumer demand for taxi services.

The arrangements for the making additional OOTLs available are designed to provide an opportunity for more taxis to be operated, and for new operators to enter the industry, if there is sufficient demand for the services of these taxis to be profitable. This is designed to allow supply to respond to demand, as generally occurs in industries where there are no entry restrictions.

In setting reserve prices until 2025, the Regulator is therefore required to consider the extent to which the level of reserve prices, across all taxi areas, affects the capacity of the taxi industry

to meet demand. In particular, the Regulator must consider how the reserve prices can enable the industry to respond to increased demand.

As noted above, the taxi industry in Tasmania is currently facing unfavourable conditions with the introduction of ride-sourcing and the restrictions imposed by COVID-19. It is likely that the utilisation rates of taxis is well below levels of earlier decades. Some taxis, for example, may be on the road for fewer hours per week than a decade or two ago, and there may be some licences for which no taxis are in operation.

Furthermore, for those taxis in operation, the proportion of the time they are providing taxi services, rather than waiting for a fare, may be much lower than in earlier decades.

The Regulator is therefore interested in understanding the extent to which there is capacity in the more urban taxi areas to cater for a substantial increase in demand, including at peak periods, without the release of additional taxi licences.

In particular, the Regulator will need to assess whether, by 2025 when new OOTLS will become available, OOTL reserve prices should be at levels to encourage more OOTL sales in order to respond to increased demand for taxi services.

In making this assessment, the Regulator notes that if the demand for taxi services does increase significantly in a taxi area, potential operators would be prepared to pay a higher price for OOTLs such that it may not be necessary for the reserve price of OOTLs to be low to attract new operators.

A second issue is whether, in taxi areas where there are few or no taxis operating, different reserve prices would enable demand (albeit at low levels) to be met. As shown in Table 1, there are two taxi areas where no taxi licences have been issued, the Kentish taxi area and the Central Highlands taxi area. The OOTL reserve prices were \$3 750 and \$1 000 respectively. Taxi services are not available in these municipalities.

According to the latest population estimation published by the Australian Bureau of Statistics, as at 30 June 2020, there were 6 393 people in the Kentish municipal area and 2 166 people in the Central Highlands. The population in the Kentish municipality is not significantly below that of George Town (population 7 117) for which five PTLs have been issued. An issue is whether a reserve price lower than \$3 750 for the Kentish taxi area, such as \$1 000, would attract an operator and allow demand to be met in that area.

In addition, for the two Glamorgan/Spring Bay taxi areas and Bruny Island, there were no current taxi licences as at 13 June 2021, with a total of seven PTLs having lapsed. The OOTL reserve prices were \$3 750 (Glamorgan/Spring Bay North), \$1 875 (Glamorgan/Spring Bay South) and \$1 000 (Bruny Island). Again, the Regulator is interested in understanding whether different OOTL prices would encourage operators to recommence taxi services in these areas.

More generally, the Regulator is interested in understanding whether, in those taxi areas where very few taxi licences have been issued, more consumer demand could be met if different reserve prices were set.

A further consideration is whether reducing the OOTL reserve price would encourage new taxi operators that provide different or innovative services sought by consumers. Innovation and change have been key features in the public passenger transport industry in recent years, especially with ride-sourcing platforms. These developments, however, have mostly been outside the taxi industry. An issue is whether the relatively modest uptake of OOTLs, outside Hobart, has constrained innovation in the taxi industry.

In Tasmania’s taxi areas, especially the urban taxi areas, what is the capacity of the taxi industry at current taxi numbers to respond to any growth in demand for taxi services?

In taxi areas where there are few, or no taxis operating, would lower reserve prices for OOTLs attract operators into the taxi industry?

Has the modest uptake of OOTLS outside Hobart constrained opportunities for innovation in Tasmania’s taxi industry?

3.5 The potentially competing interests of existing taxi operators and drivers, new operators and drivers, and customers

The Regulator’s price determination has the objective of assisting in the development of efficient pricing and competition for taxi licences, as noted above. The Regulator notes that relatively low reserve prices of OOTLs, if they lead to more taxis being operated, are likely to have some adverse effects on existing licence holders, operators and drivers, compared to no change in taxi numbers. These may include reduced utilisation of taxis, lower earnings and, as a result, lower PTL and OOTL licence values, than otherwise.

Furthermore, if PTL and OOTL licence values are lower, PTL lease rates are likely to be lower. Some PTL holders may rely on these lease rates as a source of income. KPMG noted in its 2013 review of taxi licence release arrangements that in 2013 Hobart PTLs were selling for approximately \$140 000 - \$150 000 and the weekly lease rates were in the range of \$250-300.⁵ These lease rates appear to have fallen with the decline in PTL values.

Against this, however, lower reserve prices of OOTLs may enable new operators and drivers to enter the industry, become employed and derive an income. The taxi industry may also respond more effectively to consumer demand, including through innovation, and lead to lower waiting times at peak periods.

In setting reserve prices, the Regulator will consider impacts on existing holders of taxi licences, taxi operators and drivers, but also the impacts on potential entrants and on customers. It is important for the Regulator to understand all the potential impacts of OOTL reserve prices on the current taxi industry and on potential entrants and customers. It is also important for the Regulator to understand which impacts are considered especially important.

⁵ *Review of Taxi Licence Release Arrangements*, June 2013, by KPMG for the Department of Infrastructure, Energy and Resources

Are there any impacts on existing holders of taxi licences, taxi operators and drivers, or on potential entrants to the taxi industry or on customers arising from the level of OOTL reserve prices that you consider are of special importance?

Are there any other issues not covered in this Issues Paper that the Regulator should consider in setting OOTL reserve prices?

4 THE REGULATOR'S APPROACH

In conducting this investigation, the Regulator will adopt an open and consultative approach and will take into account all comments and submissions received. This will commence by seeking comments and submissions on this Issues Paper.

The Regulator and officers within the Office of the Tasmanian Economic Regulator will consult with a wider range of industry stakeholders including representative bodies for the taxi industry and, where possible, holders of PTL, OOTL and WAT licences. It is expected that discussions will be held across Tasmania, given the large differences across Tasmania's taxi areas.

There will also be discussions with regulatory bodies such as the Transport Commission and relevant Government agencies. In addition, to fully understand the public passenger transport industry and likely future trends to 2025, discussions will be held with businesses operating ride-sourcing vehicles, luxury hire cars and restricted hire vehicles.

The investigation will be evidence-based and will rely on information provided by the Transport Commission and also, where available, from the industry directly, including the businesses that operate the taxi radio rooms.

The Regulator will then prepare a draft report and a draft price determination, which are scheduled for release by 17 September 2021. This will include the intended reserve prices for all taxi areas from December 2021 to the end of 2025.

Comments and submissions on the draft paper will be sought, up to 8 October 2021. After considering all the information received, the Regulator will then issue the Final Report and Price Determination by 30 November 2021.

A summary of the investigation milestones is provided below.

Milestone	Investigation timeframe
Regulator releases Issues Paper for public consultation	22 July 2021
Public consultation period on Issues Paper closes	13 August 2021
Regulator engages targeted stakeholder consultation	August/September 2021
Regulator releases a Draft Report and Determination for public consultation	17 September 2021
Public consultation period on the Draft Report and Determination closes	8 October 2021
Regulator releases a Final Report and Determination	30 November 2021