

17 November 2014

The Review Panel
C/- Ms Christine Barron
Competition Policy Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

<Submitted electronically>

Dear Sirs and Madam,

Re: Competition Policy Review Draft Report

Thank you for encouraging feedback from consumers, business groups and industry bodies in response to your Draft Report released in September. Taxi Council Queensland ("TCQ") supports the work of the Panel, as well as the Australian Government's efforts to improve our country's productivity and competitiveness for the benefit of all Australians.

Overall, TCQ would like to commend the intentions underlying the Draft Report. We agree that governments should not limit competition, except in circumstances where there is a demonstrable public policy imperative. Through this submission, we would like to offer our views and expertise in relation to the taxi industry, specifically the industry as it operates in Queensland.

This submission has been prepared primarily in response to two draft recommendations, the Review's terms of reference, and some specific sections of the Draft Report. To summarise:

- **Draft Recommendation 1: Competition principles** – We especially support the 'public interest' test and will explain how the test applies to the provision of taxi services in Queensland;
- **Draft Recommendation 6: Taxis** – We will outline the structure and highly competitive nature of Queensland's taxi industry and explain why, in its current form, it is a successful example of an aggregated model of small businesses fulfilling a public need while remaining profitable. For this reason, we believe Recommendation 6 is based on a false assumption and should be revised;
- **New technologies and 'ridesharing'** – We will demonstrate how the legal taxi industry embraces new technologies and comment on how true collaborative consumption could be fostered. We will also address the separate issue of what has been misnamed 'ridesharing'. We will explain how current 'ridesharing' operators are simply providing technologically-enabled illegal taxi services. Furthermore the promotion of one specific provider of these illegal services, by a highly-regarded policy review panel, is problematic;
- **Term of Reference 1.1: Anti-competitive conduct** – In relation to multinational 'ridesharing' providers entering the Australian market, we contend that their conduct not only contravenes laws and regulations, but is also anti-competitive and against the long-term public interest. The promotion of such providers and their services therefore falls outside the scope of this review.

We elaborate further on each of these points in the following submission. Firstly, however, we would like to clear up existing confusion by explaining the characteristics of Queensland's taxi industry.

Characteristics of the Queensland taxi industry

References to the Australian taxi industry often paint a picture of a \$5 billion a year, homogenous industry, with few, very large players. This characterisation is taken a step further when it is claimed that an oligopoly-like structure is reinforced by protectionist regulation that limits the number of licences, creates scarcity, and therefore increases fare prices for consumers. This picture is highly misleading.

Firstly, due to state-based legislation and regulations, the industry is federalised, meaning there is no such thing as an 'Australian taxi industry'. Additionally, the taxi industry in Queensland is especially pluralistic, with fierce competition. The idea of a 'great big taxi industry' is therefore a misnomer.

Across Queensland 3,264 cabs are currently in service. These cabs are owned by more than 2,800 owners. More than 1,200 companies are taxi 'operators', while the industry employs more than 15,000 drivers. Around 48% of all licences in Queensland are held by 'small operators' with less than 5 taxis.

Overall, Queensland's 97 Taxi Service Areas are serviced by 59 different booking companies, most of which are small, local businesses. Phone, web and app bookings are placed through Queensland's taxi booking companies. These booking companies service a defined geographic area. For example, two booking companies, Black & White Cabs and Yellow Cabs, operate in the Brisbane region. In regional areas, generally just one booking company will operate due to the small market size and marginal commercial viability. In Hervey Bay, for example, the only booking company is the Hervey Bay Taxi Service. While these companies have no competitors, or just one competitor, in their geographic region, only 20 service areas are restricted by legislation to having just one or two booking companies. All other service areas have no legislative barriers to new booking companies entering.

In Queensland, this defined geographic structure does not diminish competition. An estimated 50% of taxi journeys are booked via booking companies, the remaining 50% of journeys are as a result of passengers hailing a cab or catching a taxi from a designated rank. Furthermore, the large number of taxi owners and drivers means that competition between providers is high. In metropolitan areas where two booking companies operate, there are very low barriers to exit and entry for a taxi driver or owner who wishes to switch from one booking company to the other. In fact metropolitan taxi fleet owners operate dual fleets, with cars branded both 'Yellow' and 'Black & White'.

Neither do drivers possess significant market power as consumers are free to exercise their sovereignty in the event that a specific driver provides a poor service. Additionally, if drivers provide poor service, operators can choose not to use a particular driver. These factors combine to distribute market power among booking companies, owners, operators and to some extent, drivers.

Scarcity of taxi licences

The scarcity and cost of taxi licences is often referred to as an indicator that the industry is over regulated, to the disadvantage of the consumer.

In Queensland, the number of Taxi Service Licences (or 'plates') is determined by the Taxi Licence Model, which was devised in 2004 and independently reviewed by SAHA International in 2008. The model takes into account demographic changes, industry issues, service levels and community expectations. In contrast, an unsophisticated per capita ratio is used in other Australian jurisdictions. The Taxi Licence Model is reviewed annually in South East Queensland, and every two years in regional areas. If the demand profile has changed then either more taxi licences are issued, or licences are re-allocated to a geographic area that has seen an increase in demand. In doing this, Queensland's model is market

responsive, working on a regional level and taking into account demand factors other than simply population growth.

This floating model allows for both increases and decreases in demand in geographic regions and serves as a 'check and balance' against both unfilled demand and over supply of taxis. Furthermore, peak demand taxi permits are available in Queensland to address 'peak load' demand spikes in busy periods.

We believe this flexible model succeeds in striking the right balance between taxi industry viability and high availability for consumers. Research conducted by AECOM for the Queensland Department of Transport prior to the development of the 2010 Taxi Industry Plan analysed the Department's data for Brisbane and found that 'on the whole, the fleet appears able to satisfy demand'. The report's authors also noted 'there are extended periods where there are a large number of cabs waiting for work, sometimes up to 40% of the fleet, and short periods of time where demand exceeds supply'.

Cost of taxi licences

The cost of taxi plates are of little importance from a regulatory perspective, as the number of plates is the key barrier, rather than the cost. We submit that, in theory, the variability in the cost of a plate does not matter if the number of plates issued remains fixed. (Plate costs do, of course, impact on overheads for operators, but they do not have any end effect on supply or customer outcomes.)

In terms of the cost of taxi licences, the Queensland Government is the price setter. The taxi industry does not play any role in the decision and is simply a price taker. Governments can choose to either extract high fees for plates as a good source of revenue, or set a low fee for public policy reasons.

Taxi Council Queensland does not see the maintenance of licence costs as necessary nor integral to the industry in the long term, nor do we see the cost of these licences as greatly affecting the competitiveness of the Queensland industry, as the Review Panel states. Plate costs are determined by open market tender when the demand model dictates that there needs to be additional supply. (This is a similar barrier to entry to what other prospective business owners may face, such as when buying a franchise, purchasing plant and equipment, or obtaining a tow truck licence.) There is no way to directly recover the cost of taxi licences through increased fares, because minimum fares are set by the State Government with reference only to operating cost factors.

Should the Review Panel seek to recommend changes to taxi licence costs, we would like to participate in this discussion, keeping in mind the obligation governments have to existing licence holders for the financial outlays they have made to obtain those licences.

Is focussing on the inputs the correct response?

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).

Taxis in Queensland do not solely operate 'at off-peak times just to earn a return on the licence' as stated in the Review's Draft Report. Rather, the industry has a service obligation to operate 24/7. We believe that one central discussion point should be whether service obligations should remain, and what regulation is required to uphold service expectations; that is, what regulation is needed to ensure the desired outcomes for governments and the community.

Universal Service Obligations

Universal service obligations (“USOs”) refer to the practice of governments mandating that service providers provide a baseline level of service to every resident of a community. Traditionally, government-owned providers have been subject to USOs to ensure universality of access to services that are considered essential. USOs are traditionally applied to markets where a natural monopoly exists, generally because it is not sustainable for more than one firm to operate in the market.

The State Government has long understood the Queensland taxi industry to be an integral part of the wider public transport network. It has been accepted that taxis play a vital role for the sick, elderly and for people who have a disability or who live in areas not serviced by traditional public transport. In this ‘public service’ role, the Queensland taxi industry has been bound by service obligations for decades.

Queensland taxi industry obligations include:

- All communities with more than 10,000 residents must be serviced by at least one taxi booking company;
- Taxis must be provided on-demand, 24 hours a day, 365 days a year;
- In providing this service, priority cannot be given to any passenger or journey type. Taxi drivers must accept all reasonable requests. This means passengers must be served in sequential order, either in terms of when their phone or app booking is received, or based on their place in a taxi rank queue. The only exception is for wheelchair-accessible taxis, which must give priority to passengers in a wheelchair or on a mobility scooter;
- Taxis must be no more than six years old (or eight years old for a wheelchair accessible vehicle);
- Federal legislation dictates that the waiting times for users requesting wheelchair accessible taxis should be equivalent to the waiting times for other users;
- All taxis must have a taximeter installed (except for a few exempt taxis operating in remote locations). Taximeters must be automated for certain tariff times and public holidays. They must change back to the standard tariff applicable for that time of day after completing a higher tariff. They must be able to apply tolls and access fees, to reset once the journey is completed and the fare paid, and to reset once the taxi has travelled a certain distance after the taximeter has been paused or stopped. Furthermore the taximeter must be able to restrict use of the extras button to once per journey, for application to booked jobs. Taximeters must also be enabled to apply a quoted fare or a set fare, and must also be sealed to avoid any potential tampering;
- Taxi drivers must provide itemised receipts on request and must accept all methods of electronic payment;
- Taxi drivers must hold Open Licences for more than 12 months, pass criminal history checks, obtain a Medical Certificate for Motor Vehicle Driving, pass a National Minimum English Standards Assessment, and complete a driver training course; and
- Every vehicle must have a 6-month inspection and subsequent certificate of inspection.

Booking companies that operate in 20 designated Service Areas in Queensland are additionally bound by service contracts with the Queensland Government. These contracts have Minimum Service Levels (MSLs) which stipulate that during peak times 85% of passengers should be picked up within 18 minutes of their booking and 95% should be picked up within 30 minutes of their booking. In off-peak times, 85% of passengers should be picked up within 10 minutes, and 95% within 20 minutes.

Further obligations that are placed upon booking companies under their service contracts are that the company must take responsibility for addressing customer service issues and complaints, and must operate a lost property service. These additional obligations are unique to Queensland, and from our research, appear to be unique obligations placed upon any taxi industry in any jurisdiction worldwide.

Finally, governments have placed obligations and levies on the taxi industry, especially in the area of passenger safety. Members of the Queensland taxi industry must pay a security levy to the State Government, to address anti-social behaviour at taxi ranks on weekend nights. Other mandated safety costs for booking companies operating in Queensland's 20 largest service areas include that every taxi must have three GPS locators installed. Every taxi in these service areas must also have an approved security camera system installed and operational. Additionally, one of the GPS locators must be contained within the security camera and be able to withstand heat up to 1,800 degrees Celsius in case the taxi is ever incinerated; this way the footage and GPS data can still be accessed. These safety features further add to the costs of the service obligations placed on the industry.

The Henry Tax Review and USOs

The 2009 Review into Australia's Future Tax System led by Dr Ken Henry AC explored Universal Service Obligations. The review stated that USOs are essentially a 'tax', where the burden falls on a relatively narrow base, meaning that USOs are likely to be inefficient. The reviewers went on to recommend that 'other ways of funding the USO subsidy should therefore be considered'.

Simply speaking, the Henry Tax Review panel believed service obligations essentially 'tax' low-cost users who subsidise higher-cost users. When applied to the taxi industry, this would mean that able-bodied people who live in cities and who work regular hours are considered to subsidise higher-cost users such as the elderly, people with disabilities, shift workers and people living in regional areas.

On a basis of regulatory fairness and from an economic perspective, readily substitutable services should be subject to the same regulation and obligations. From a consumer's perspective, when standing on the side of the road, they have a choice between booking a legal taxi service or an illegal 'ridesharing' provider. These services can therefore be seen as direct substitutes and as such should be subject to the same regulations. (We elaborate on this further on pages 8-10 of this submission.)

A regulatory double standard should not be allowed to persist. One option would be to review the USO, in line with the Henry Tax Review panel's recommendation.

A taxi industry without service obligations

The removal of the regulated service obligation would likely impact the operational choices of industry providers. The removal of service obligations would immediately see more taxis operating in profitable routes, for example, built-up areas and at peak times. Without any obligation to do so, drivers could choose whether to take elderly people short distances or whether to service socially disadvantaged groups living in city-fringe locations or in regional areas. Fleet owners could choose whether or not to fit-out their taxis to cater for people in wheelchairs. Drivers and owners could choose whether to offer certain payment methods, or they could mandate that payments only be made using low-cost methods, such as through mobile apps, thereby only servicing passengers who are highly technologically literate.

So should the universal service obligation on the taxi industry therefore be removed, essentially levelling the playing field for legal taxi operators to compete with illegal 'ridesharing' taxis?

Should older people and people with disabilities be charged a higher fare or receive less access to services? Should regional Australians pay much greater fares in comparison to their city counterparts, which would be reflective of the true costs associated with servicing less-densely populated areas? Should the taxi industry (or segments of the industry) be able to choose not to operate on week nights, when it is less profitable to do so? Or to only offer certain payment methods? Or not to pick up an inebriated young person late at night who is only looking to travel a few blocks, because the fare may not be considered worthwhile?

The public policy imperative: Equity of access

Taxi Council Queensland believes that there is a public policy imperative at play. That imperative is that there is equality of access, irrespective of geography, age, income, hours of travel, technological literacy, or a passenger's (dis)ability status.

If this imperative has recently changed – from either the Federal or Queensland perspective – then we would welcome the opportunity to discuss the government's changing expectations. Taxi Council Queensland currently holds no firm view on whether all current service obligations should be retained, except to say that we believe in regulatory equality. All private operators in any industry should be subject to the same regulations and service obligations.

Draft Recommendation 1: Competition principles

Governments place taxis within the broader public transport network. They do this through mandating service obligations on the taxi industry that are similar to those placed upon organisations like Australia Post, the NBN Co. and Telstra. As the Queensland Government stated in the 2010 Taxi Strategic Plan, taxis are considered to be 'a critical part of the public transport network' as they provide a 24-hour service 'at relatively little cost to the taxpayer'.

In this sense, the Queensland taxi industry can be seen as one of the most successful examples of the private sector delivering what is deemed to be a public service. This service is delivered through aggregated groups of small businesses, fulfilling a public need, while remaining profitable.

The Queensland taxi industry therefore operates in the 'public interest', as defined in Draft Recommendation 1. This Draft Recommendation 1 stipulates that competition policy should focus on making markets work in the long-term interests of consumers. A number of guiding principles should apply; however, applying these principles should be subject to a 'public interest' test, so that:

- *The principle should apply unless the costs outweigh the benefits; and*
- *Any legislation or government policy restricting competition must demonstrate that:*
 - *It is in the public interest; and*
 - *The objectives of the legislation or government policy can only be achieved by restricting competition.*

Taxi Council Queensland would like to discuss Draft Recommendation 1 further with the Review Panel. We believe that current regulation of the taxi industry is designed by governments to serve a public interest. We also believe that the objectives of government policy can only be achieved by appropriate regulation. This is elaborated upon further, below.

Draft Recommendation 6: Taxis

The taxi industry is not a 'normal' consumer market. Overseas examples have shown that deregulation does not lead to increased completion, decreased fares, better vehicles or more highly-trained drivers, as you would expect under normal market conditions. We believe that this principle has been overlooked in Draft Recommendation 6, necessitating that the recommendation be reviewed.

Taxi deregulation has been unsuccessful

The Queensland taxi industry serves a public good, but so do many other industries. So why does the taxi industry need to be regulated? Decades of evidence from other jurisdictions shows that low fares and universal service are not maintained if regulation is removed.

Some early studies into the success or otherwise of the deregulation of the taxi industry were conducted by Dr Sandra Rosenbloom of The University of Texas and Dr Roger Teal of California State University in the 1980s. They separately concluded that taxi deregulation in the United States had failed to demonstrate any substantial benefits to drivers, taxi firms, or users.

In the 1990s, Dr Paul Dempsey summarised the empirical data from a range of studies into taxi deregulation in 21 major US cities. He found seven common characteristics 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.

More recently, in 2003, Professor Des Nicholls from the Australian National University investigated the application of National Competition Policy to the Australian Taxi Industry. Professor Nicholls' study found that 'overseas experiences... of deregulation on productivity and public benefit issues [have] inevitably led to reregulation in one form or another'.

Nicholls investigated the one Australian jurisdiction to deregulate taxi licence numbers, the Northern Territory. He found that the Northern Territory faced similar poor outcomes to those experienced overseas. This included a dramatic increase in supply of taxis, no subsequent increase in demand, dramatic decrease in productivity and profitability, poorer vehicle quality and safety, price-gouging, and fare refusals. The NT Government responded to these issues by re-capping entry into the taxi industry. Similarly, Nicholls concluded that the result of deregulation in New Zealand has been variable, with reregulation required near airports, poorer quality fleets, and large fare increases in regional areas.

Professor Nicholls also found that economic arguments, including supply and demand analyses, do not apply to taxis that are hailed or caught from ranks. Hail and rank taxi journeys account for an estimated 40% to 60% of all journeys in Australia. So, at best, economic modelling applies to around half of all journeys. This demonstrates what he calls the 'clash of economic theory and empirical reality'.

Not a normal consumer market

The Queensland taxi industry is the most efficient in Australia. The state's industry moves the highest number of people per year (per capita) as compared to the number of taxi licences available. In addition,

taxi operators consistently meet or exceed government service benchmarks for picking up passengers within designated peak and off-peak timeframes.

The Queensland taxi industry's uniqueness means that if deregulated, it will likely not provide the expected benefits to consumers. Likewise, the industry does not currently operate as a heavily regulated, monopolistic industry usually would. Despite regulation, a high degree of competition exists.

Firstly, there is fierce competition between providers in Queensland. Taxi drivers regularly compete for fares. They are eager to be positioned more highly up taxi ranks and remain in prime locations in built-up areas when they do not have bookings to fill.

There is also an eagerness by taxi owners and drivers to differentiate their service. Taxi owners and drivers realise that prospective passengers will be more likely to hail a new, safe, well maintained taxi, with a well presented driver. In Queensland we have seen many taxi owners renew their fleets much more frequently than is required by legislation. Taxi owners have also been early adopters of hybrid vehicles and vehicles with other forms of differentiation. One Queensland fleet owner, for instance, recently purchased 104 new Volkswagen Passat wagons, with 5-star NCAP safety ratings, in order to openly differentiate his fleet and give his drivers an advantage when passengers hail a cab.

Another industry-wide example of the high degree of competition is the rapid adoption of wheelchair accessible 'maxi taxis' in Queensland. Realising the competitive advantage of having some cars in a fleet that can carry more than four passengers at a time, including passengers in wheelchairs or mobility scooters, the Queensland industry embraced 'maxi taxis' much quicker than other jurisdictions. By 2010, 19.4% of the state's taxi fleet was wheelchair accessible and this has continued to steadily grow. We currently have the most wheelchair-accessible fleet in Australia, with highly deregulated areas (like New York) only recently realising the need to follow Queensland's lead.

We would embrace the opportunity to provide further examples of competitiveness within the industry, and to discuss how the taxi industry's uniqueness can be more accurately analysed and modelled.

New technologies and 'ridesharing'

The highly competitive nature of the Queensland taxi industry is further highlighted by the degree to which the industry has embraced innovation. While many people seem to believe that 'ridesharing' companies have a monopoly over using innovations and new technologies for passenger transport, the taxi industry has been an early adopter for decades.

Key milestones for the Queensland taxi industry have included:

- Queensland taxi companies were the first to introduce state-of-the-art computer dispatch systems on a wholesale basis in 1988;
- Queensland's taxi fleet was the first in the world to have universal EFTPOS facilities in 1990. In many developed countries, electronic payment facilities are still not widely available even today;
- Queensland taxi companies were the first to introduce fully integrated meters back to the dispatch system to minimise the opportunity for rogue drivers to overcharge, while still allowing customers to use all payment methods including cash, card and account;
- Queensland taxi companies introduced taxi smartphone apps in 2011. This was long prior to the entrance of illegal app-based 'ridesharing' service providers into Queensland in 2014, and was even prior to the development and roll-out of those apps in 2012;

- Queensland taxi companies were the first to introduce premium taxi services, known as 'Silver Service' or 'Business Class';
- Queensland taxi companies were the first to use hybrid vehicles on a wholesale basis, this was before governments introduced 'clean vehicle' incentives;
- Queensland taxi companies were the first to have universal camera systems introduced in 2005 and have successfully lobbied the Government to be the first to have audio recording. This will be rolled out across the fleet by 2018;
- Queensland taxi companies were the first to implement a system of customer feedback and enquiries, handling service feedback and lost property, across the fleet;
- Queensland currently has the most wheelchair-accessible taxi fleet in Australia and one of the most accessible fleets in the world; and
- Queensland taxi companies were the first to introduce mandatory wheelchair training for all drivers and have been working with governments for years to increase driver training standards.

It is interesting to note that industry innovation has often preceded government regulatory intervention, such as the full integration of meters to minimise the opportunity for rogue drivers to overcharge.

Additionally, innovation has been embraced by the industry Australia-wide since the 1940s. The first truly mobile two-way radio was developed in 1923 by Senior Constable Frederick William Downie of the Victorian Police. This technology was adapted and by the 1940s was being used in taxis. The Australian taxi industry was quick to adopt this technology to assist with taxi bookings and dispatch. Furthermore, Australia's first taxi booking app was released to the market by Swan Taxis in Perth at the end of 2009. This was less than 18 months after the release of the first widely-available app distribution platform. It was also more than two years prior to app-based 'ridesharing' technology being developed.

In keeping with the Queensland taxi industry's innovative nature, we welcome any opportunity to speak with the Review Panel about how innovations and new technologies can be further embraced to improve competitiveness, customer experiences, customer and driver safety, and industry productivity.

Collaborative consumption and the sharing economy

Taxi Council Queensland applauds the rise of collaborative consumption and the panel's interest in examining the regulation surrounding this segment of the economy. We also seek to clarify the definition and role of the sharing economy.

The sharing economy is based on concurrent consumption, where both parties are requiring the same (or substantially similar) product or service on a timeline convenient for both. An example is two workmates who live close and carpool to work, with one party 'chipping in' for petrol and vehicle wear-and-tear costs. In this example, the passenger is utilising capacity (i.e. additional seats) which otherwise would have gone unused. The driver would still have undertaken the journey regardless of whether there was unused capacity, but has chosen to defray their costs by offering a seat to another person.

Another example is a homeowner who decides to offer a spare bedroom to another person. The homeowner would pay the mortgage regardless of whether or not they have a roommate, or if they are at home or on holiday, but they have chosen to 'consume' the house with another person.

'Ridesharing' apps do not offer collaborative consumption

Keeping these examples in mind, we submit that so called 'ridesharing' services do not fit the definition of collaborative consumption and are not part of the sharing economy. The driver in these circumstances is not engaged in concurrent consumption with their passenger and their consumer behaviour is not

naturally aligning. The driver is summoned by a customer and directed where to take them, in exchange for a monetary reward, based on the distance travelled. (Whether that fare is bartered, or whether the passenger receives the name and photo of their driver via the app prior to pick-up, does not matter; the driver is still simply receiving payment for a trip that they would not have otherwise taken.)

This is not a situation where the driver agrees to split the costs of their joint consumption of a service; the motivation of the driver is profit, as evidenced by the advertisements of a particular company which promises prospective drivers that they can 'give rides, get cash'.

These services are illegal de facto taxi services masquerading as a collaborative consumption model.

As pointed out earlier, from an economic perspective, legal taxi services and illegal 'ridesharing' services are ready substitutes. In a liberal democracy like Australia, readily substitutable services operating in the same market should face the same regulation and be treated equally in the eyes of the law.

Are illegal 'ridesharing' apps really such an 'innovative development'?

Taxi Council Queensland disputes what have widely been promoted as the 'technologically innovative' aspects of 'ridesharing' businesses. In the Review Panel's Draft Report, these businesses are referred to as providing services that are 'innovative developments' and a 'new mode of business'.

Like 'ridesharing' applications, many legal taxi apps are available. (As noted in the previous section, these apps are nothing new and have been available in Australia since 2009. Comparable 'ridesharing' apps used in Australia were only developed and released in 2011 and 2012.) Legal taxi apps are able to summon a car which will then take a passenger to their destination; the only significant difference to 'ridesharing' apps is not related to the service itself but in regard to payment. Legal taxis have set fares and must allow passengers to use cash or any form of electronic payment they desire. Illegal ridesharing apps mandate that users can only use the company's web-based payment platform that incorporates a compulsory service fee of at least 20%.

The illegal taxi industry is simply replicating the model of the existing taxi industry, skirting service requirements and relying on a selective, deceptive and misleading interpretation of the 'sharing economy' in an attempt to establish legitimacy in the market and amongst regulators.

Taxi Council Queensland would like to be involved in further discussions around how true collaborative consumption can be encouraged and safely regulated. We also have some ideas that we would like to share on how to create a true technologically-enabled sharing economy in the transportation sector.

Term of Reference 1.1: Anti-competitive conduct

One final issue we would like to discuss is that of anti-competitive conduct. The Terms of Reference for this 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'. Taxi Council Queensland believes that Uber is doing just this. The Review Panel's promotion of this one provider's illegal services and anti-competitive conduct as 'innovative' is therefore highly problematic and outside the scope of this review.

As we raised at the outset, the taxi industry is often unfairly depicted as one large, over-regulated industry, with rent-seeking participants simply looking to protect their significant profits. We have since argued that this perception is greatly misleading, as the Queensland industry has a high degree of

plurality, is highly competitive and delivers quality universal service to meet the expectations of government and society.

On the other hand, 'ridesharing' providers have entered the Australian market with stated intentions of driving down prices through innovation and by championing 'free market' principles. As overseas examples are showing, however, this tune changes once 'ridesharing' companies have gained significant exposure and market share. The experience in Washington D.C. has shown that once this occurs, 'ridesharing' providers then champion regulation that helps to protect them against new entrants to the taxi market. As Matthew Mitchell from the Mercatus Centre stated recently, '[Uber] sort of stepped inside the regulatory velvet rope and then put it right up behind them'. This shows the sharp disparity between rhetoric and reality. Unlike the Washington D.C. example, the Queensland regulations seek only to protect consumers and not commercial interests.

Let's put Uber and the taxi industry into perspective. The entire Australian taxi and limousine industry, employing more than 75,000 people directly, is worth around \$5.4 billion a year. Uber alone, backed by the might of Google, Menlo and numerous other venture capitalists, is estimated to be worth \$18.2 billion. According to Google Ventures, Uber could be worth \$200 billion in the long term. This is not a scenario where an innovative small player is shaking up the Australian taxi market. Uber is a multinational company that is deliberately flaunting the laws and regulations of developed liberal economies in an anti-competitive manner. This is done in order to grasp quick market share and exercise undue influence on the service by manipulating supply in order to justify surge pricing events.

Taxi Council Queensland would like the opportunity to speak with the Competition Policy Review about how to strike the right balance between an industry that encourages truly innovative new entrants, and mechanisms to ensure that anti-competitive conduct cannot continue to occur.

Conclusion

Taxi Council Queensland welcomes any opportunity to provide further information and insights into the Queensland taxi industry, its uniqueness, characteristics and the potential for innovation.

We would especially be interested in discussing:

- Any potential recommendations the Review Panel may make relating to taxi licence costs;
- Whether the Review Panel believes any changes should be made to taxi service obligations;
- How the Queensland taxi industry's uniqueness can be more accurately analysed and modelled;
- What innovations our members are using and how new technologies can be further embraced to improve competitiveness, customer experiences, and industry productivity;
- How real collaborative consumption might be encouraged and safely regulated; and
- How the industry can encourage truly innovative new entrants, while also cracking down on illegal and anti-competitive conduct.

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.

Yours faithfully,

Benjamin Wash
Chief Executive Officer
Taxi Council Queensland