

Agreement in Principle

Mr BARRY COLLIER (Miranda—Parliamentary Secretary) [10.10 a.m.]: I move:

That this bill be now agreed to in principle.

There are not many things that members of this House agree upon, but this has to be one of them. There are not enough taxis on the road and we need to grow the taxi fleet to provide better taxi services for our community. It is as simple as that. Taxi services play an important niche role in the provision of public transport services, carrying more than 170 million passengers each year across the State. They deliver on-demand door-to-door services, 24 hours a day, seven days a week. Taxis are especially important to people who may not have access to or be able to drive a car, such as visitors and tourists, people on low incomes, people with disabilities and the elderly.

Passengers place a high value on the personalised service that the taxi industry provides, with demand for taxi services growing with our communities. For some time, however, growth in the taxi fleet has not kept pace with growth in demand for services. Long-term passenger demand growth is estimated to be around 3 per cent to 4 per cent, while the take-up of new licences has been around 1 per cent per annum. Simple arithmetic tells us that there is a shortfall in the number of taxis required to meet passenger demand for services. This is borne out in what the community is telling us: people are frustrated because they cannot get a taxi, especially at peak times such as changeover or on a Friday or a Saturday night; wheelchair passengers, despite marked improvements in response times with the introduction of the driver incentive payment, are still waiting longer for a taxi than a standard taxi passenger; and business people, who have acknowledged that fleet growth needs to meet growth in passenger demand, tell us that if people cannot rely on getting a taxi when they need one, they will turn to alternative service providers.

Generally the industry does a good job but almost everyone has a story of a bad experience trying to get a taxi. Records from the complaints line of NSW Transport and Infrastructure tell some of the worst of those stories. We also know that the high cost of taxi licences is pushing up taxi fares and reducing the affordability of taxi services. In the past 12 months, the price of an ordinary Sydney licence has increased by 16 per cent, to \$414,000, and this is not sustainable. According to the Independent Pricing and Regulatory Tribunal, licence costs are the second-largest input into increases in metropolitan taxi fares. This is a double-edged sword for the industry. The more expensive taxi fares are, the fewer people tend to use the services. This inevitably impacts on the long-term viability of the industry.

Ongoing increases in licence costs, with commensurate increases in fares, could lead to the industry effectively pricing itself out of the transport market. If taxi fares are too expensive and there is a demand for service the reality is that competing providers will find ways to fill the gap. In recent years there has been a proliferation of shuttle and other services to and from popular destinations, such as the airport, the casino and clubs. The hire car industry is actively competing for passengers in the pre-booked door-to-door market. Even non-transport service providers, such as long-term car park operators near the airport, are looking for ways to target increasingly budget-conscious consumers. In some cases it can be cheaper to park at one of these stations than pay the cost of the return taxi fare. On the other hand, the evidence available from other jurisdictions suggests that when services are more reliable and more affordable more people will use them.

The Government's reforms are a good thing for the industry as a whole, especially as the Government intends to manage changes to the pricing of new licences so that there will be a gradual and sustainable increase in the taxi fleet. But let us be clear: The Government does not want a flood of new licences on the market. Experience in other jurisdictions has shown that in the long run this does not benefit anybody. We do not want an influx of fly-by-nighters who get in hoping to make a quick buck and leave almost immediately, making it harder for existing participants to make a reasonable living and dragging down service quality. Instead, we want gradual, sustainable growth in taxi licences. The Government wants to attract new entrants who are keen to invest for the long term in building a business and being part of the taxi industry, and it wants to provide opportunities for lessee operators and experienced drivers to take up a new licence and become their own boss. The Government also wants to meet existing growth in passenger demand for services and, at the same time, encourage more people to use taxi services as an alternative to driving their cars.

The Rees Government's taxi licensing reform package, which the Minister for Transport announced on 7 October this year, achieves the balanced and responsible approach to delivering fleet growth that is needed. The major element of the reform package, and the main thrust of this bill, is the creation of a new category of non-transferable taxi licences, which will be able to be renewed each year as long as the licence holder meets the necessary conditions. This licence will be available, on commencement of the new legislation, in the Sydney metropolitan area, replacing the existing "ordinary" transferable and renewable licence and "short-term" non-transferable and non-renewable licence categories.

Whilst the bill creates the potential for the new licensing arrangements to be rolled out across the State, the

intention is to start the rollout in the Sydney metropolitan area before other areas. This recognises that not all areas are alike, and each region has its own supply and demand issues. The introduction of the new licence means that in Sydney, and any further areas eventually covered by the new arrangements, there will no longer be non-renewable taxi licences available. This means greater certainty for those wanting to take up new licences. It also means that, for the first time, no further new transferable licences—that is, licences that can be sold on the secondary market—will be issued.

This is a central plank in the Government's reform proposal as it takes the industry in a new direction: one in which the primary focus is on building a business based on delivering services to passengers, rather than on the underlying capital value of the licence. The message is that if you want to take up a new licence you must run a taxi service to make a return. The Government also recognises those who hold an existing licence so they can continue to operate, and they will continue to do so on the same terms and conditions as they do now. The bill allows for the fee for the new annual licence to be determined by the Director General of NSW Transport and Infrastructure and, as is currently the case, there will be no cap on the number of new licences that may be issued.

Instead, the market will determine how many new licences will be taken up, based on commercial decisions about the price of the licence, the availability of drivers and passenger demand. Because we are not capping the number of licences that may be issued, consistent with obligations under the national competition policy, we understand that the price at which the new licence will be available is critical to meeting our objectives of achieving steady and sustainable fleet growth to meet demand for services, while managing any impacts on existing industry participants including the holders of transferable licences.

That is why the Government is setting the new licence fee for standard taxis in Sydney at a level that balances the existing plate and lease values, while also encouraging more people into the industry. The Government will be announcing the annual fee shortly. Wheelchair-accessible taxi licences will still be available for \$1,000 a year in metropolitan areas, and will continue to be free in country areas. When managed carefully, price can be as effective a regulator of licence take-up as a limit on supply, with the advantage of still allowing the market the flexibility to respond appropriately to increases in demand for services. NSW Transport and Infrastructure will closely monitor the impact of the new arrangements to ensure that the core objectives of the Government are being met. This means that we simply do not need a cap on licences to achieve the steady and sustainable fleet growth we are aiming for.

Under the bill, existing transferable licences will continue to be able to be operated, renewed and bought and sold on the open market. These reforms are about putting more cabs on the road in a gradual, sustainable way to improve services for customers and the long-term viability of the industry. They are not about taking away the rights of those already in the industry. In fact, a key objective of the reform package is to ensure that the rights and conditions of existing licence holders are put beyond doubt. The bill makes it clear that "ordinary" and "short-term" licences will continue to operate until the expiry of their terms. Ordinary licences can be renewed and transferred in accordance with the relevant provisions of the Act. Short-term licence holders will be able to obtain one of the new licences on the expiry of the term of their existing licence. The bill also makes clear that "perpetual" licences are valid licences and that they are, indeed, perpetual—that is, they will remain in force unless they are surrendered or lawfully cancelled under the Act. Like "ordinary" licences, the bill makes it clear that they may also be transferred in accordance with the relevant provisions of the Act.

These licensing changes also provide the opportunity to finally put to bed concerns about the "nexus" licences. The lack of clarity around the operating conditions of these licences needs to be addressed, and so the bill provides that, as a statutory condition of "nexus" licences, the paired WAT licences must be operated; the "nexus" licence and its WAT pair may only be transferred together; and the licences may only be transferred to another network that is an accredited operator. This means that current nexus licence operators can continue operating and supporting those requiring wheelchair accessible taxis. It also enshrines in the Act the conditions under which it is generally understood that these licences were issued and these conditions will be actively enforced by NSW Transport and Infrastructure.

This bill represents an important step towards better taxi services for passengers and assuring the long-term viability of the taxi industry. It represents a balanced, measured approach to licensing reform that will deliver real, longstanding benefits. I call on the members opposite to get behind the Government's reform package and I commend the bill to the House.