

Select Committee on the NSW Taxi Industry: Questions on Notice

Peter Abelson

3 March 2009

The following are brief responses to the questions on notice. I regret that I do not have complete answers as I have not researched the relevant areas. Some time in research would be needed to provide full and really useful answers.

Questions from Ms Rhiannon

There are two separate issues: How to deal with conflicts of interest arising from (a) the close personal relationships between directors of the major taxi radio networks and (b) relationships between Ministers, senior public servants and the major taxi businesses.

Ms. Rhiannon also asks (c): what is the role of the Independent Regulator in dealing with these or other issues?

(a) As Adam Smith famously remarked: "People of the same trade seldom meet together, even for merriment or diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices". Thus the Australian Competition and Consumer Commission (ACCC) has strong rules against businesses colluding - see for example the heavy fines against Pratt (Visy Corp) for collusion with Amcor.

In general, collusive behavior can be dealt with by regulation or by reducing its profitability by increasing competition. A starting point for considering regulation would be to review the ACCC rules and regulations and those of similar regulators in other countries. However it is more difficult dealing with such matters ex-post than ex-ante. Also regulation is difficult because the regulator usually has to prove collusion. However, as previously discussed, there is considerable scope for reducing the power of the networks over the taxi industry and for increasing competition.

(b) This is a general issue of governance rather than particular to the taxi industry. Thus this would not be regulated by an industry regulator. It is desirable that skilled people can move between the public and private sectors. Nevertheless, probity issues arise and are of public concern. However I have not studied strategies for dealing with these issues.

(c) In discussing the role of the Independent Regulator for the taxi industry, the first question is what precisely is to be regulated? This needs careful consideration, but would clearly include basic taxi driver and vehicle safety attributes. The regulator could also be the vehicle for dealing with consumer complaints. Whether anti-competitive or collusive behavior within the industry would be dealt with best by the taxi industry regulator or by a general competitive agency such as the ACCC or IPART would be a matter for consideration. See more comments on the Independent Regulator below.

Mr. Ajaka's questions

As noted above I have no special expertise in governance issues on appointments to and from the public sector, so have nothing I can usefully say about the second question.

Question 1 asks about (a) the impacts of the present out-sourced governance arrangements and (b) an alternate governance model.

I think the impacts of the present governance arrangements are profound and largely negative on industry performance. As discussed in my papers I think that these arrangements are at the heart of the destruction of competition and service in the industry. They enable and indeed empower the networks to control service brands and communications. Taxi drivers are required to observe the published rules and by-laws of the networks to which the taxi is connected and to comply with all reasonable requests of the network.

With regards to an alternate governance model, there are at least three options: (i) a regulation section within the Department of Transport and Infrastructure, (ii) a separate regulatory agency established by statute (which could be part of a general transport regulation agency or solely for the taxi industry), or (iii) regulation by IPART. A senior IPART officer told me that IPART does carry out a monitoring role for the water industry. I suspect that (ii) may be the preferred model funded by annual fees probably in the order of \$1000 by tax operators. However this would need much more consideration.

Numerous methods of taxi regulation are used in other countries. I have not studied these. However a review of these methods would almost certainly be a useful exercise. This review may come up with some other options. I suspect that few countries or cities have out-sourced regulatory powers to one part of the industry as has been done in NSW.