



NSW TAXI COUNCIL

This submission is provided in response to the NSW State Insurance Regulatory Authority 2018 Point to Point Horizon Scanning Issues Paper.

NSW Taxi Council Submission

**2018 POINT TO
POINT HORIZON
SCANNING
ISSUES**

17 December 2018

Contents

1	EXECUTIVE SUMMARY	3
2	INTRODUCTION	4
3	BACKGROUND TO SUBMISSION.....	6
4	RESPONSE TO SIRA's 2018 POINT TO POINT TRANSPORT HORIZON SCANNING ISSUES PAPER.....	7
4.1	Design Principles	
4.2	Key Challenges	
4.3	Other Considerations	
4.4	Risk Rating Factors	
5	CONCLUSION	16

EXECUTIVE SUMMARY

The NSW Taxi Council appreciates the opportunity to review and respond to the issues paper released by the NSW State Insurance Regulatory Authority (SIRA) on the “2018 Point to Point Horizon scanning issues”

While the NSW Taxi Council acknowledges the changes in the competitive set within the Point to Point Transport sector, we are grateful for the ongoing collaboration and consultation between the NSW Taxi Council and the State Insurance Regulatory Authority. As a result of this engagement, we are pleased to see significant progress as we work towards a more level playing field between Rideshare and Taxis.

We look forward to continuing to work with Minister Dominello’s office and SIRA, as we aim to achieve a more competitor neutral scheme within the Point to Point Transport Sector, realizing our common vision of a true level playing field.

The NSW Taxi Council is the peak body for the NSW Taxi Industry. It represents taxi networks, owners and operators, and it also advocates for better outcomes for NSW taxi drivers.

In NSW there are over 4,000 licence owners, in excess of 200 authorised taxi networks, over 6,000 taxi operators and more than 30,000 authorised drivers. Therefore the industry is the livelihood of over 40,000 people and their families.

The NSW Taxi Industry is a major contributor to the state's public transport system. It provides approximately 170 million passenger journeys each year and it meets customer travel needs right across NSW. It functions as a door through door transport service that operates 24 hours a day 7 days a week. The NSW Taxi Industry also provides services at times when other forms of public transport either significantly reduce service levels or cease operations altogether. Taxis are often the only form of public transport for some members of the community, and they provide essential transport services to some of the most disadvantaged people in the state. The NSW Taxi Industry was the first private transport provider to offer transport services for passengers travelling in a wheelchair. In fact, our history goes as far back as 1980 when the first wheelchair accessible taxi was established.

The NSW Taxi Industry is also a significant contributor to the state's economy, providing employment opportunities for tens of thousands of drivers, operators, and network management staff as well as for other industries which rely on economic activity that the NSW Taxi Industry generates. The taxi industry contributes to the economic generation of the state by connecting people efficiently and effectively for business, education, tourism and essential lifestyle activities. International accounting firm Deloitte Access Economics has undertaken an independent assessment of the economic contribution of the NSW Taxi Industry and has estimated the annual contribution of the industry to the NSW economy to be in the order of \$1.15 billion per annum.

The NSW Taxi Industry is made up of a complex array of providers, ranging from the licence owners (the licence being the principal legal instrument to provide a taxi service), through to operators and drivers. A licence owner may own, operate and drive a taxi, but a licence owner may also lease the taxi licence to a separate taxi operator. Authorised taxi service providers are the principal means through which taxi services are coordinated. They provide direct booking services to the public and a range of safety and other services to operators and drivers.

Authorised taxi service providers do not have a direct commercial relationship with taxi drivers. The members of taxi networks are taxi operators who pay networks a fee for use of the network's services (including its booking services).

Taxi drivers bail taxis from taxi operators and pay a bailment fee to the operator (either a set "pay-in" or a share of the takings from a shift bailing a taxi). It is the taxi driver and not the network or the operator who collects the fare from the passenger.

The NSW Government does not, unlike other forms of public transport, procure taxi services from the NSW Taxi Industry. Whilst some financial support is provided to assist disadvantaged members of the community to access taxi services, on the whole the taxi transport system has been created and continues to operate as a consequence of the many people and organisations that have committed capital to invest in the industry. The NSW Taxi Industry also generates revenue for the NSW Government through the sale of licences and stamp duty on third party licence sales. It also generates other revenue through authorisation fees and indirect taxes.

The Point to Point Transport sector consists of a wide range of service providers including the taxi industry, the hire car industry and ridesharing (collectively known as hire vehicles under the Point to Point Transport (Taxis and Hire Vehicles) Act 2016 (Act)), tourist vehicles and the community and courtesy transport sector.

Ridesharing operations operated illegally in NSW from approximately April 2014 until December 2015, when the NSW Government accepted 56 of 57 recommendations made by the Point to Point Transport Taskforce, which had been established to review the passenger transport industry. At this time, a significant number of regulations contained within the Passenger Transport Regulation 2007 were removed and ridesharing operations were effectively legalised.

The Act passed parliament in June 2016 and the Point to Point Transport Regulation (2017) was rolled out on 1 November, 2017.

Accordingly, the NSW Taxi Council welcomed the reforms that were announced for the Compulsory Third Party Insurance scheme for NSW, and looks forward to continuing to work with the NSW Government on delivering a scheme that provides a complete level playing field within the NSW Point to Point Transport Sector.

This submission focuses on the future opportunities for CTP within Point to Point Transport in NSW and also looks at key issues of inequities that currently exists between Taxis and Rideshare Services.

BACKGROUND TO SUBMISSION

The NSW Taxi Industry has gone through a period of unprecedented change. The NSW Government's Point to Point Transport reforms have introduced a new approach to the regulation of the NSW Taxi Industry as an integral part of the Point to Point Transport sector and the industry has been transitioning to a markedly different regulatory environment as a consequence.

While the NSW Taxi Council welcomes the recent reforms to the Compulsory Third Party Insurance Scheme announced by the NSW Government, we acknowledge that ongoing collaboration and consultation with the NSW Government is necessary in order to achieve competitor neutrality within the Point to Point Transport sector.

Accordingly, the NSW Taxi Council appreciates the consultative and collaborative approach by the Minister's office as well as SIRA. We consider that this submission is another step towards achieving a more level playing field, as well as continuing to work with Government for better outcomes for customers and businesses.

Horizon Three

The purpose of Horizon Three is to develop post transitional CTP arrangements that will be - as much as possible - future proof and be flexible in application to manage market innovation and fluidity.

Horizon Three will be a combination of targeted consultations, industry analysis and premium setting design.

Consultation issues will center on:

- what the future point to point landscape will look like,
- key principles that will characterise and shape more enduring point to point CTP arrangements, and
- The design of premium setting and application mechanisms that ensure future CTP arrangements are fair, affordable, sustainable and reflective of risk.

ISSUES FOR CONSIDERATION

The following three issues comprising design principles, key challenges and possible risk factors have been informed through discussions with stakeholders.

Issue 1 - Design principles

SIRA is proposing the following nine principles to guide the development of post transitional arrangements for the point to point industry.

1) Affordability and sustainability

The CTP scheme in NSW is privately underwritten. Insurers need to be fairly compensated for the risk factors applied to a CTP policy.

Further, the scheme needs to be sufficiently funded to ensure that injured persons receive fair compensation and treatment that optimises a return-to-work or normal daily activities. At the same time, premiums for all motorists need to be affordable so that people are not excluded from the social and economic benefits of driving.

Is a privately underwritten scheme the best approach to achieve an affordable scheme?
How would this compare to a Government underwritten scheme.

- (i) In relation to, “the scheme needs to be sufficiently funded to ensure that injured persons receive fair compensation and treatment that optimises a return-to-work or normal daily activities.” This statement is supported; however the Rideshare risk model is blurred while it is in class 1.

We propose for SIRA to remove Taxis from class 7 and move into class 1 with Rideshare.

Rideshare Operators need to have risk more visible to ensure sufficient funds are available for appropriate funding of injury and treatment.

In the event of an accident, how do you determine whether the vehicle is being used privately or for rideshare purposes?

It needs to be noted that in regional NSW, it is estimated that up to 90% of the work is equivalent to Rideshare – ie booked services, not rank and hail.

2) Simplicity

Regulation impacts in many ways from industry compliance and administration through to enabling injured persons to access scheme benefits.

A 'good' scheme should be simple as practicable for all stakeholders and minimise direct and indirect costs.

Further, the cost of implementing scheme elements should not be unnecessarily burdensome compared to the overall benefits derived.

We support the idea that a good scheme needs to definitely be simple for everyone involved, and not too much of a burden on participants. Cost burdens need to also be kept to a minimum.

3) Promotes competition

Arrangements should ensure that competition amongst CTP insurers is actively encouraged and maintained.

CTP arrangements should allow insurers to innovate in terms of products and ways to price risk. Barriers to new market entrants should be kept low and implementation costs should not exceed the benefits.

We support promoting competition amongst insurers.

In order to minimize barriers to entry and lowering implementation costs, we have a strong view that taxis need to shift from class 7 to class 1.

In the past, Taxis have been seen to be an easy target for price hikes whilst in a separate class.

In essence, what we are suggesting is;

- Taxis and rideshare vehicles in class 1.
- Upfront cost should be simple
- The business classification should determine the variable cost upfront.

4) Promotes road safety

Driving behaviour has a large impact on the cost of CTP insurance and rewarding improved road safety can empower drivers to affect better CTP outcomes for themselves. Arrangements should promote road safety and not work against it.

Incentives incorporated into CTP arrangements should result in fewer accidents and injuries.

We support the idea and to promote road safety. Whilst the responsibility for road safety must sit with all road users, we propose for this to be extended to beyond driver's behavior, to include pedestrians who for example may be intoxicated, listening to music or may be getting picked up in a more hazardous location.

We also believe that Road Safety can be better managed through the adoption of vehicle telematics that can be used to measure driver risk, together with consideration on vehicle age. An example of telematics may include, forward facing cameras that may be used to help deliver savings for Taxis.

We believe there also needs to be incentives to help deliver further savings for taxi premiums. These may include classification of Professional Drivers (with appropriate training) versus non professional drivers. Taxi Drivers are classed as “professional drivers”.

5) Neutrality

Arrangements should not 'tip' the passenger transport landscape to advantage one industry segment over the other and should produce competitively neutral outcomes for all point to point stakeholders.

Competitor Neutrality is key towards a more equitable system for CTP insurance. We propose that neutrality should go beyond Point to Point, and should include anyone with 12 seats or less, for example courtesy buses, Assisted School Travel Providers, Community Transport etc.

We believe the most effective way to achieve neutrality would be by moving everyone to class 1, removing taxis from class 7.

Smaller operators providing passenger services, and flying under the radar need to be identified, regardless whether or not the passenger pays for the journey. These trips still carry an increased risk.

In the case of exemptions, if exemptions will apply for rideshare, they should also apply for Taxis. For example if exemption is applied to a Service Provider who carries out less than 10,000 trips or kilometers, then this exemption should apply to both types – Taxis and Rideshare.

6) Evidence based

CTP insurance premiums are determined by industry analysis, the insurer's scheme experience and regulatory requirements. Arrangements and CTP premium determinations should be based on evidence and data.

Evidence and data are important elements in determining CTP premiums. The challenge in achieving this is in how to capture rideshare claims (distinguishing between private vehicles and rideshare.)

7) Privacy

Modern risk-based CTP arrangements will increasingly leverage accurate data sources to dimension risk. Accordingly, privacy issues and legislative requirements will need to be considered when developing a new regulatory framework.

Privacy issues definitely need to be considered and therefore we have no objections to this component.

8) Future proof

The point to point sector will continue to evolve after 2020, with further innovations in technology, usage, and business models. To the extent possible the design of the scheme should be flexible enough to cope with further developments with minimal change so as not constrain those developments.

The design of the scheme needs to have the capacity and flexibility for future developments.

9) Fair pricing of risk

Point to point CTP arrangements should be 'risk-based'. Premiums calculated for a vehicle/driver/owner under the scheme should reflect the risk that is brought onto the road by the vehicle and its use.

We agree that CTP arrangements should be “risk based”. Therefore the premium should be apportioned to the risk associated. This must include other Operators who are not currently being captured in “the risk profile”. These include courtesy transport providers, Assisted School Travel Programs, Community Transport etc.

Whilst moving to a risk based scheme is important, this cannot result in more complexity. Extending to include vehicle / driver and owner could increase complexity.

Issue 2 - Key challenges

The point to point industry is evolving and it is important to understand how and what challenges need to be considered in designing new CTP premiums arrangements. Some of these key challenges are outlined below.

Multiple functions

Industry service providers are utilising their fleets to provide passenger services and other offerings. As such, increasing numbers of vehicles across existing vehicle classes are now being used by operators and drivers to perform different functions, e.g. passenger service, food delivery or other as yet unknown new services.

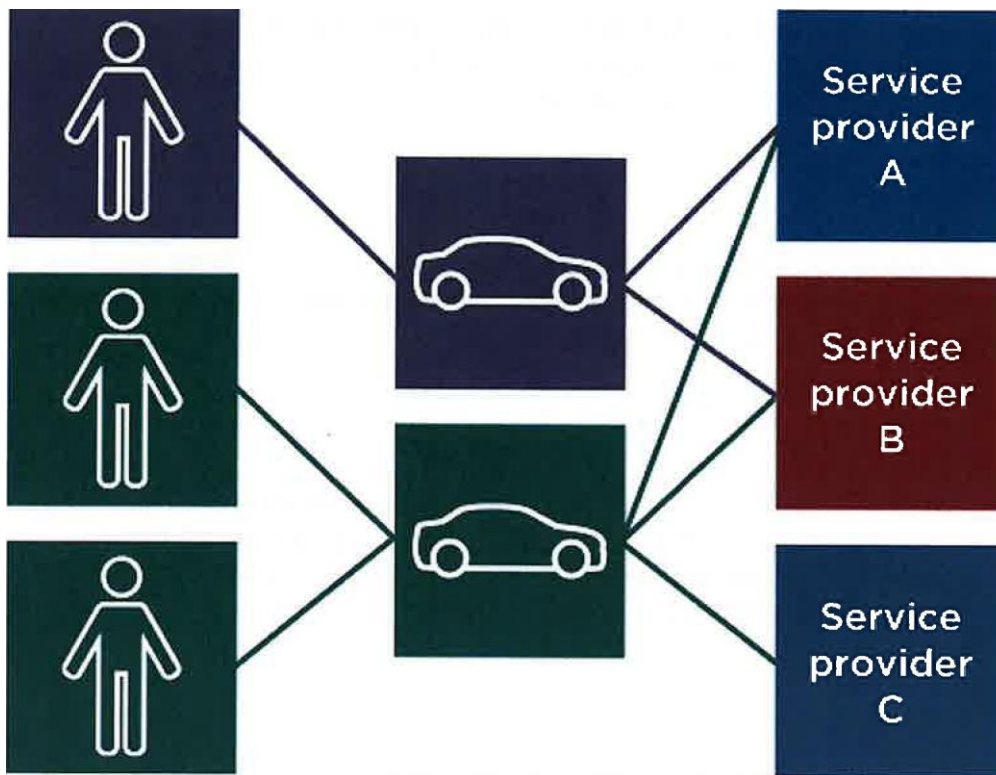
Technology and Innovation platforms have enabled service providers to provide a more diverse offering of services eg food delivery. Therefore consideration needs to be made on how the risks associated with these services are identified and captured. For example, food delivery adds pressure for drivers to deliver food hot, potentially causing them to speed, creating a higher risk.

Vehicle, driver and business relationships

Traditionally, passenger service vehicles had a known relationship between driver, vehicle and service providers; however, these relationships have now become more dynamic. An individual driver may drive one of a number of vehicles, or operate a vehicle across one or more service providers for a range of transport services.

This statement is quite valid and relevant. It is imperative that anyone involved in the chain is identified and accounted for in all reporting obligations, including CTP insurances, regardless of how many service providers they are affiliated with.

SIRA should have the powers and ability to work with other Government agencies to help facilitate this process.



Evolving dynamic relationships

Identification

In a sharing economy, many vehicles can start a registration period as a family car. During the registration period, a vehicle can also be operated as a passenger service vehicle. Potentially identifying more transient passenger service vehicles could be problematic for insurers.

Identification regarding the use of the vehicle is a key issue. Our view is that vehicles need to register as a business if they're providing passenger/commercial services, regardless if it is at the start of registration or later on.

The process for a Vehicle owner to make this adjustment at any time must be simple and enforceable.

Access

The Point to Point Commission licenses businesses as performing booked services or rank and hail work, because of the need for additional safety screening around anonymous work. This distinction may be less relevant when determining CTP insurance arrangements.

We do not have any objections to this statement.

We would like to re-inforce the importance of capturing any operator who provides a passenger service, regardless if the trip is paid, or contracted.

Considerations

Please provide feedback on the industry characteristics identified above.

Are there any other significant characteristics of the industry including services, disruptions, business challenges or other existing or emerging issues that should be considered?

Given the increasingly dynamic relationship characteristics described above, will the current approach to issuing and/or administering CTP policies remain appropriate?

In developing post transitional arrangements, are there any approaches to CTP insurance that may cause barriers to market entry or potentially stifle competition and innovation.

Other matters that we would like consideration on include;

(i) How do we police CTP?

We are of the strong view that there needs to be deterrents. Currently, there is no fear for breaching the CTP Regulatory requirements, as the passenger is covered regardless.

(ii) Adding design number 10- "Review locations"

We believe there needs to be a review on the current area of operation. In particular a review on Regional NSW versus Sydney Metropolitan Region. For example, Wollongong Region currently operates on T Plates and pay the City equivalent CTP premiums, however should be TC plates in line with other Country towns.

Issue 3 - Risk rating factors

Insurers use risk-rating factors to calculate an insurance premium, based on their view of an individual's risk. In the CTP scheme, risk rating factors can include driving history, vehicle age and garaging location.

A well-designed risk-based scheme will ensure competitive neutrality, fairness and promote responsible behaviour. The following risk rating factors have been proposed to determine risk for the point to point industry as part of post transitional arrangements.

Suggested factor	Description	Possible unintended consequences or disadvantages
<p>Kilometers Travelled</p> <p>We support an engaged kilometer travelled model with no cap.</p>	<p>This is a basic measure of exposure.</p> <p>The higher the number of kilometres travelled, the greater the level of risk.</p>	<p>It could disproportionately affect Rural drivers. One way to ensure affordability for high kilometer drivers would be to place a cap on kilometres travelled to keep premiums affordable. However, a cap could lead to further complications and opportunities for "gaming" the system. For example, once a cap is reached, would the fare reduce to reflect that a premium is no longer paid; if not, drivers could choose to operate vehicles that exceeded the cap to collect additional money.</p>
<p>Location</p> <p>We believe that Boundaries should be reviewed per the previous statement on "review locations".</p>	<p>Different risk ratings apply to different locations (e.g. rural areas, Sydney CBD).</p>	<p>This could create economic incentives to not provide services to a location leading to access and equity issues. Limited access to passenger services could push people to make risky decisions such as driving in an impaired condition or choosing higher risk modes of transport.</p> <p>Tracking location could have privacy implications.</p>

Suggested factor	Description	Possible unintended consequences or disadvantages
<p>Time-of-day</p> <p>We do not object to a time of day scheme.</p>	<p>Higher loadings could be applied to the day and time of day (late at night, early morning, Friday and Saturday night).</p>	<p>Increased costs could cause people to drive their own car instead of using a passenger service at high risk times such as Friday and Saturday nights.</p> <p>This factor could result in a shift in traffic loads to other times of the day, which could be positive or negative.</p>
<p>Driver condition</p> <p>We believe this would be too difficult to implement.</p>	<p>Measuring fatigue and driver skill.</p>	<p>It would be difficult to assess this factor possibly driver feedback, perhaps driver age.</p> <p>Measuring driver condition would require suitable technology in a vehicle - this could be costly, overly burdensome and have privacy implications.</p>
<p>Vehicle usage</p> <p>Our view is to keep the scheme as simple as possible. Ideally, have 1 variable amount regardless of delivery type.</p>	<p>Is a vehicle transporting passengers, or making deliveries, or both?</p>	<p>If ratings around usage are too prescriptive, this could stifle innovation.</p> <p>If usage is not clear, this could result in regulatory creep.</p>

Suggested factor	Description	Possible unintended consequences or disadvantages
<p>Vehicle design and features</p> <p>We support offering a lower rate for vehicles with safety features.</p>	<p>Vehicles are rated on number of safety features.</p> <p>Vehicles with greater carrying Capacity could be rated as having greater exposure.</p>	<p>On its own, this would not take vehicle maintenance into account.</p> <p>Overly prescriptive vehicle assessments in terms of features may create unnecessary complexity.</p>
<p>Effective Corporate Safety policies</p> <p>We believe that this would be a positive and responsible outcome, however would be too difficult to implement.</p>	<p>Reduced loading to a vehicle owner that is operated under a service provider with good safety policies and outcomes.</p>	<p>This rating factor would be complicated to administer if a vehicle operates for more than one service provider.</p>

CONCLUSION

The NSW Taxi Council appreciates the time and consideration given to our submission.

We appreciate the ongoing collaborative and consultative approach demonstrated by SIRA.

We acknowledge the significant progress that has been made as a result of this collaboration and we look forward to continuing to work with all parties to ensure true competitor neutrality for anyone operating in the Point to Point Transport Sector.

We would be happy to provide any further information if required as part of this review process. The NSW Taxi Council is happy to meet with members of the NSW State Insurance Regulatory Authority if required to discuss any aspects of our submission.