

23 May 2014

Dr Richard Chadwick
General Manager
Adjudication Branch
Australian Competition and Consumer Commission

By e-mail: adjudication@accc.gov.au

Dear Richard

Victorian Taxi Association – Application for authorisation A91428

Thank you for the opportunity to comment on the application by the Victorian Taxi Association (VTA) for authorisation on behalf of operators in cooperative booking networks in Victorian country and regional zones. This letter responds to both the request for an interim authorisation and the overall authorisation application.

The Taxi Services Commission supports both the interim authorisation and the overall authorisation application on the basis of a number of overarching factors.

First, from 30 June 2014 the taxi industry in country and regional zones is to move from being heavily regulated by the Government to substantially deregulated. This will remove mandated uniform maximum fare regulation, remove restrictions on competition by locality and allow for much greater ease of entry into country and regional taxi markets by new taxi (and hire car) operators.

Second, the majority of network services in country and regional areas are provided by co-operative networks owned by independent operators. It is the TSC's understanding that those networks would not be able to continue to operate in this form without authorisation, raising the prospect of substantial disruption of services to customers in the shorter term and the prospect of a decline in service standards to customers in the longer term.

Third, allowing for authorisation is more in the spirit of competition policy and a less costly form of regulation than the possible alternative of pursuing a State-based legislative exemption of regional and country operator cooperative networks from the cartel provisions of the *Competition and Consumer Act 2010*.

The key reasons for the support of each of the two applications are detailed below.

Interim authorisation application

The TSC supports an interim authorisation given that the price notification system is due to commence on 30 June 2014. If the interim authorisation were not to be granted by this time it could mean that regional and taxi operators that operate cooperative networks would not be able to discuss prices, thereby preventing them from participating in the price notification system or entering into pricing contracts as a network. This could lead to fragmented price offerings by individual operators in the same network raising the prospect of customer confusion and service disruption, including the potential complete collapse of the network service. The TSC also notes that the authorisation application does not

prevent individual operators from discounting their fares or price notifying outside the network if they wish.

In response to your concern about whether the market could substantially return to its pre-interim authorisation state if the ACCC should later deny authorisation, the TSC considers that a relevant consideration is that up until 30 June 2014 fares will have been regulated at a uniform maximum rate across country and regional Victoria so there has in effect never been price competition between operators. Further, the operators in cooperative networks can be expected to be currently privy to each other's existing costs and service capabilities so will be unlikely gain more information as a result of the interim authorisation being granted.

Overall authorisation application

The TSC is concerned that if the authorisation were not to be granted, and operators were forced to price and offer their services independently, many of the efficiency benefits of a network in providing services to operators and customers would be diminished.

These efficiencies and other consumer benefits have been extensively documented by the VTA in section 4.2 of its submission in support of the authorisation. The efficiency benefits include shorter average waiting times, higher customer awareness and greater realisation of other scale economies resulting in better and lower costs of service. Other benefits to customers include greater customer certainty of fares resulting in reduced conflict between passengers and drivers.

The TSC considers that the enhanced service provision elements of taxi services to customers, in particular, need to be carefully balanced against any possible erosion of price competition among operators within a network for booked and contract work.

However, the TSC expects that fares charged by networks will be kept in check on the basis that none of what is proposed in the authorisation would prevent different networks from competing with each other for new business from operators and from taxi customers. This will be significantly enhanced from what has been historically been the case by the amalgamation of more than 70 localised taxi zones into the country and regional zones after 30 June 2014.

Fares will also be constrained by provision under the Victorian taxi industry reforms to allow greater ease of entry of new operators into the industry in country and regional areas, including by non-luxury hire cars.

As a further constraint on fares, the TSC will also publish notified fares for all operators on its website, enabling customers to compare fares across operators and networks and to select the taxi service with the most competitive fares within a local area or a zone.

Lastly, in supporting a move to price notification in country and regional areas, the Taxi Industry Inquiry was of the view that local community scrutiny and existing relationships between customers and operators in country and regional areas will also help to moderate fare rises.

Yours sincerely



Graeme Samuel AC
Chair
Taxi Services Commission