

Future of small passenger services – Consultation Paper 2015

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General comments:

1. The paper refers to 'incentives' and 'innovations' frequently however doesn't spell out what these are or what these look like. For example, a web-based taxi service (such as Uber), was already in existence overseas before setting up in NZ. Therefore any innovations (or incentives) that this model purports to represent, were brought to NZ rather than being the result of any new thinking *within* NZ.

The Consultation Paper

2. (Page 8) under **Effective choices for people** states: *a well-functioning market would provide consumers with choices about services and incentivise new services, such as ridesharing, or new operators into smaller markets (such as rural communities).*

This assertion overlooks the reality of the NZ situation, particularly in respect of population spread. As the Commerce Commission 'Consumer Issues' report states:

New Zealand is unusual among developed nations in regards to the extent of its geographic isolation. The market is comparatively small with uneven and low population densities spread across the country. Small and isolated economies such as New Zealand's are more susceptible to regionalised markets and concentrated industries.

Furthermore while some firms *may* see the opening up of smaller markets as an incentive to set up new services (such as ridesharing), the potential *downside* effects on those markets (ie rural communities) cannot be overlooked either. This includes both a lessening of services to rural communities as well as an increase in costs (due to fewer providers).

The Commerce Commission recognised this trade off in its 'Consumer Issues' report. In regard to an internet-based platform like Uber, the Commission stated that:

it continued to disrupt pre-existing markets, providing greater real-time choice for consumers, but providing challenges to incumbents, and regulators in highly regulated markets. While it is possible for disruptive intermediaries to bring significant benefits to consumers, it is also possible for them to achieve market dominance, potentially limiting future consumer choice.

3. (Page 13) refers to 'compliance burden'. However from a consumer point of view that can mean 'protection benefit'
4. (Page 19) **Focus of Option 1** states: The rules have a strong focus on safety and provide little incentive for operators to make decisions about how to best manage safety within their services. The rules can be quite specific about how an operator should comply, which limits the opportunity for operators to innovate or to do things differently.

But isn't that the point. The rules are in place to ensure operators operate their businesses with safety in mind. Surely you either have safety measures or you don't. It would be helpful if the paper provided an example of a safety rule that an operator could achieve in a different (ie non mandatory) way or how an operator could 'innovate' for safety measures.

5. (Page 20) **Focus of Option 2** notes that the practice of taxis and private hire services operating in separate sub markets effectively restricts competition in the market.

But it could be argued that there **are** different markets. For example a taxi journey to the airport from home is simply a *transfer* from one location to another. By contrast, a limousine service, such as that used for a wedding or other social occasion, encompasses an *occasion*. The service may ultimately result in a transfer from one location to another, but before that their service may include host, tour guide as well as driver.

A further consideration is the *existing* number of taxi and other operators. For example if the market is opened up, so that private hire services can provide regular pickup services alongside taxi services, then that will add to the total number of existing taxi services. While this may benefit regional areas, it's unlikely to be useful in main centres such as Auckland or Wellington, who already have sufficient taxi numbers.

A 'market - view' response may be that a surplus in providers of taxi services would ultimately lead to a reduction in numbers overall, through natural attrition, as quantity of taxis supplied exceed quantity demanded. Given the *current* supply levels in Auckland and Wellington however, there is no guarantee that will be the result.

A related issue here concerns the requirement for taxi services to accept the first job offered, which includes short distances. In short a surplus of taxi service providers can mean competition for the available jobs but also longer waiting times *between* jobs. In recent years media reports in NZ have highlighted incidents in which people were refused travel in taxis due to the jobs being short distances. These concerned tourists travelling within a city and women travelling alone at night.

6. (Page 21) **Option 3** - Consumer protection – driver to accept the first hire offered.

An issue here is how a consumer can *enforce* this rule where they are looking to travel only a short distance. Where a driver refuses to accept a hire (not due to safety reasons) then the process for a consumer should be easy to use (and wherever practicable) able to be used *immediately*. For example, a call to the taxi service head office, *at the time*, to enable the trip to be made, would be preferable to a consumer having to find alternative travel arrangements and lodge a complaint to the taxi service the next day.

Furthermore the examples noted above of hires reportedly being refused took place in cities. In smaller centres or rural communities, with competition for fewer jobs overall, there may be even less incentive to accept short journeys within town. Equally however travel within rural communities (ie from town to home) could involve long geographical distances.

7. (Page 22) Option 3 also proposes an exemption option for providing in-vehicle security cameras. This is where Services are provided to registered passengers only, driver and passenger information is both collected and available and a record of each trip is retained.

This appears to be saying that even if a vehicle does not have a security camera, the level of information known to both passengers and drivers at least provides a minimum level of protection *when things go wrong*. The concern here of course, is that the purpose (and benefit of) a security camera is that it can record, in picture or in video, events as they happen. Therefore it has high value from an evidential perspective. Furthermore the fact that a camera is operating can influence the behaviour of a passenger or a driver during the journey.

8. (Page 24) **Option 4**

This provides that approved transport operator also required to notify the NZTA of any complaints received alleging serious improper behaviour by drivers.

However what about complaints (such as systematic ones) concerning lower level behaviour? Eg where a driver refuses to accept a passenger (not for safety grounds)

9. (Page 29) Hire and fare rules – consumer protection

This notes that hire and fare rules would provide consumer protection where a driver is required to accept the first hire offered. As noted above however, this will need to be enforced by the relevant authorities. This is also relevant in respect of Options 3 and 4 which proposes drivers no longer requiring knowledge of the law and practice. For example a driver, at the very minimum, will need to be aware that they cannot refuse to accept a hire, other than on certain safety related grounds.

10. (Page 30) Registered fares

This proposes removing the rules governing pricing, such that registered fares would no longer be necessary. Instead existing consumer protection laws (Consumer Guarantees Act, Fair Trading Act) would be relied on to manage any fare disputes. In effect this means a consumer who seeks to challenge a fare will have to know (or find out what) their respective rights and responsibilities are under these laws, gather all (or any) evidence they have and take action themselves. These types of problem will be avoided under a web-based system where payment is agreed upon and made

before the journey. However it is likely that there will continue to be people who use the traditional type of taxi service. In the event of a fare dispute they would no longer have a 'neutral' mechanism, ie a meter reading that establishes what the job cost was.

11. (Page 31) 24 / 7 service

This proposal suggests removing the requirement for taxi services to provide 24 hour, 7 day service in large cities. One potential effect is that it may lead to fewer taxi services being available for consumers in large cities. For example, if established taxi firms choose to operate during the most 'cost productive' times of the day. A reduction in the number of taxi services operating (supply) could, in turn, lead to an increase in the number of taxis wanted (demand) which could increase the cost to consumers (eg fare increases).

This is also relevant to the web-based model. If fares are no longer registered and consumers of all types of taxi service are able to agree fares before travel, the cost of a fare may increasingly become dependent on the availability of vehicles and drivers. This is likely to mean that fares charged are higher during busy times and lower during quieter times. This would be a direct benefit to consumers in terms of lower fares and is already a method used in other modes of transport services, such as trains and bus services. However the alternative point, is that consumers may end up with *less* choice and options if the overall number of taxi service providers increases.

12. Work time

This proposes that the work limits that currently apply for taxis (7 hours) equally apply to all small passenger services.

To ensure that these work times are observed across the entire small passenger sector, NZTA will need to take steps to actively enforce the time rules.