

**INQUIRY INTO 2018 REVIEW OF THE COMPULSORY  
THIRD PARTY INSURANCE SCHEME**

**Organisation:** NSW Taxi Council

**Date Received:** 17 June 2018

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NSW TAXI COUNCIL

*This submission is provided in response to the NSW Legislative Council review of the Compulsory Third Party Scheme.*

# NSW Taxi Council Submission

**2018 review of the Compulsory Third Party insurance scheme**

**15 June 2018**

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## 1. EXECUTIVE SUMMARY

The NSW Taxi Council appreciates the opportunity to review and respond to the terms of reference paper released by the NSW Legislative Assembly on “the 2018 review of the Compulsory Third Party insurance scheme”

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 office of Minister Dominello, as well as the State Insurance Regulatory Authority (SIRA). 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.

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## 2. INTRODUCTION

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 28,000 authorised drivers. Therefore the industry is the livelihood of over 38,000 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 impact of the recent CTP changes introduced for Point to Point Transport in NSW and also looks at key areas of opportunity moving forward.

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### 3. 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.

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#### 4. RESPONSE TO LEGISLATIVE COUNCIL'S TERMS OF REFERENCE DOCUMENT

##### **“Transcript taken from the Legislative Council’s Terms of Reference document”,**

Please note that on 1 May 2018, the committee resolved that the 2018 review of the Compulsory Third Party insurance scheme focus on the following aspects of the new scheme:

Whether it is achieving the NSW Government’s stated objectives of:

**1) Increasing the proportion of benefits provided to the most seriously injured road users**

This matter is not applicable for comment from the NSW Taxi Council

**2) Reducing the time it takes to resolve a claim**

This matter is not applicable for comment from the NSW Taxi Council

**3) Reducing opportunities for claims fraud and exaggeration**

This matter is not applicable for comment from the NSW Taxi Council

**4) Reducing the cost of green slip premiums**

The NSW Taxi Council welcomes the reduction in costs associated with moving to the new scheme.

##### **4.1 40% Reduction Promised to Taxis:**

The 40% reduction in premiums for Taxis was miscommunicated and could have been handled in a better way.

This meant that the 40% reduction was in fact never realised by Taxi Operators, as the 40% reduction became a measure against future premium costs, not against the current premiums at the time, which many of our Taxi Operators were lead to believe.

Furthermore, due to the significant increases on premiums, year on year, the savings following the reform introduction therefore was not as significant.

##### **4.2 New CTP Scheme for Taxis and Rideshare Operators:**

The expected increased rate for Rideshare operators, where they would pay a distance based premium component in addition to their class 1 premium from the 1<sup>st</sup> December, 2017 was delayed until 1 April, 2018.

This meant that Rideshare Operators did not pay the distanced based component of their premium for 4 months until the new scheme kicked in.



To add to these inequities, there was no upfront communication about this delay, and as a consequence this was not known to the Taxi industry until the NSW Taxi Council made its enquiries into this matter.

Once the NSW Taxi Council raised this issue with the Minister, he agreed that this was poorly communicated and acknowledged the challenges associated with this, and subsequently took immediate action to instigate meetings between the NSW Taxi Council, the Minister's office and SIRA to work to resolve the issue, to ensure that the 1<sup>st</sup> April, 2018 deadline would be met for Taxis and Rideshare operators.

Since the introduction of the new scheme on 1<sup>st</sup> April, 2018, we welcome that Taxi Operators also now have the opportunity to opt into a CTP model which calculates premiums based on distance travelled.

This is a more balanced approach, as it moves away from a one size fits all concept. Previously, a Taxi Operator paid one rate, regardless of the frequency or distance that they travelled. This meant that an operator was unable to opt in to a kilometre based policy, which resulted in higher premiums, even if they travelled fewer kilometres. For example, if an Operator in Sydney travelled 75,000km in a year, they would have still been required to pay the maximum of \$6,400 as their premium. The new scheme for Taxis, works towards addressing this issue, as the opt in model would now offer the same operator an estimated saving of \$1,600 on their policy.

#### **4.3 CTP Fund Levy for Taxis:**

The NSW Taxi Council has been working with the Minister's office and SIRA to resolve the disparity between Taxis and Rideshare on the cost associated with the CTP fund levy. The key issue is that Taxis were paying a class 7 equivalent, with Rideshare paying the equivalent of Class 1, resulting in a significant difference between the amounts being paid.

The NSW Taxi Council undertook further discussions with the Minister and SIRA and were pleased with the recent announcement by Minister that there will be a reduction in the CTP fund levy for Taxis, to be in line with Class 1 Ridesharing effective from 1<sup>st</sup> July, 2018. An example of what the reduction means for both Metropolitan and Country Operators is explained below;

- Sydney Taxi Operators will see a reduction in the CTP Fund levy of their greenslip from an average of \$580 to \$142.
- For country taxis, the CTP Fund levy contribution of their greenslip will reduce from an average of \$680 to \$110.

#### **4.4 Understanding Risk – The Future of where we need to be:**

The NSW Taxi Council has a view that we need to move towards a CTP system where risks can be appropriately understood and apportioned to operators or policy holders according to their risks. We are pleased to note that both the Minister and SIRA are in favour of this approach of moving to a system where a Taxi and Rideshare operator are both in the same scheme.

Furthermore, the NSW Taxi Industry is working with SIRA, in support of the Minister to identify ways in which we can look to reducing claims for Taxis, leading to reduced premiums.

The NSW taxi Council is keen to explore further initiatives as strategies to reduce premiums, these include (not limited to);

- The use of Telematics and other devices and features within Taxis
- Utilising good data analytics and insight
- Look to reduce the number of incidents involving Taxis
- Work with stakeholder groups in areas where risks are higher

We are pleased to note that we have already commenced undertaking work with SIRA on some of these initiatives.

Future models should be based on risk profiles, including driver's record/risk, as well as time and day of driving.

**5) Whether there has been a reduction in claims frequency since 1 December 2017 and if so, the projected impact on premiums**

The NSW Taxi Council does not have access to any data on claims frequency; therefore we are unable to provide any further commentary on this matter.

**6) The impact of the new profit normalisation and risk equalisation mechanisms in controlling insurer profits**

The NSW Taxi Council has previously expressed its concerns on behalf of its members with the rate of annual increases on Taxi premiums implemented by insurers. We would request that SIRA maintains control on annual increases implemented by Insurers.

**7) The effectiveness of the new CTP Assist and Dispute Resolution Services for statutory benefits claims**

This matter is not applicable for comment from the NSW Taxi Council

**8) The impact of the new minor injury definition, including on reducing fraudulent and exaggerated claims**

This matter is not applicable for comment from the NSW Taxi Council

**9) The impact of the changes on minor physical and psychological injuries**

This matter is not applicable for comment from the NSW Taxi Council

**10) The return to work and recovery outcomes of the new statutory benefits scheme**

This matter is not applicable for comment from the NSW Taxi Council

**11) The impact of the new reporting obligations on insurers which require them to report all new claims in real time to SIRA**

This matter is not applicable for comment from the NSW Taxi Council

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CONCLUSION

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

We appreciate the ongoing collaborative and consultative approach demonstrated by both Minister Dominello's office, as well as 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 Legislative Council if required to discuss any aspects of our submission.