



Victorian
Competition & Efficiency
Commission

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14 February 2014

Ms Mary Benson
Acting Manager, Operational Strategy & Policy
Taxi Services Commission
Level 25, 80 Collins St
MELBOURNE VIC 3001

Dear Ms Benson

ADVICE ON THE ADEQUACY OF REGULATORY IMPACT STATEMENT

Thank you for seeking advice on the Regulatory Impact Statement (RIS) on the proposed Order to declare taxi zone boundaries (*Transport (Compliance and Miscellaneous) Act 1983: Determination of Zone Boundaries*).

The Victorian Competition and Efficiency Commission (VCEC) advises on the adequacy of RISs as required under section 12H(3) of the *Subordinate Legislation Act 1994* (the Act). I advise the final version of the RIS received by the VCEC on 14 February 2014 meets the requirements of section 12H of the Act.

The VCEC's advice is based on the adequacy of the evidence presented in the RIS and is focused on the quality of the analysis rather than the merits of the proposal itself. **Therefore, the VCEC's advice the RIS is adequate does not represent an endorsement of the proposal.**

The VCEC notes the following aspects of the analysis in the RIS that stakeholders and decision-makers may wish to consider.

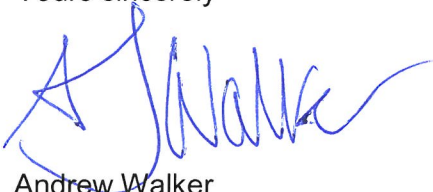
1. The reforms to taxi zones are one element of wider reforms to the taxi industry, including changes to Driver Agreements and taxi fares, and there is significant uncertainty as to how the taxi industry will respond to the combined effect of these reforms over time. The analysis in the RIS primarily focusses on the direct impacts of different taxi zone options, but qualitatively discusses the implications of other reforms for the analysis of taxi zones.
2. There are significant limitations to the data currently available to inform the analysis of taxi zone options. Consequently, the analysis in the RIS — like the Taxi Industry Inquiry (TII) — is based on proxy data and assumptions to inform qualitative judgments by the Taxi Services Commission (TSC) about the likely efficiency and equity impacts of the different options for allocating zones.
 - a. Given these limitations, stakeholder input will be especially important to better inform the assumptions, analysis and conclusions outlined in this RIS — particularly in relation to the effects of different zone allocations on licence values, the extent to which taxi services are likely to relocate, the extent of new entry in different areas, and the resulting efficiency and equity outcomes for Victorians.

- b. The VCEC also acknowledges the TSC's commitment to monitor, review and evaluate the zone boundaries in the next three to five years, and notes that the implementation of the TII's recommendations to improve the available data is critical to undertake these tasks effectively.
3. Under the Transport Legislation Amendment Act 2013, the boundaries set for taxi zones also determine the boundaries for hire car zones. The impacts of taxi zone options on the hire car sector, including for specific hire car operators, are analysed in the RIS, but the choice of the preferred option for taxi/hire car zone is based solely on the impacts on the taxi sector.

In the interests of transparency, it is government policy that VCEC's advice be published with the RIS when it is released for consultation.

If you have any questions, please contact RegulationReview@vcec.vic.gov.au.

Yours sincerely



Andrew Walker

Assistant Director

Victorian Competition and Efficiency Commission