

# Innovation, culture and progress: focus on the future

## Point-to-point transport services review [Submission](#)

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The arrival of Uber and other “non-regulated” transport services is not a conspiracy against the taxi industry, or anyone else for that matter. They are another round in the ceaseless instincts of progress fuelled by a combination of technology, innovation and culture change.

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They reflect the emergence of a new way of organising services in an economy which is increasingly marching to the drum of a digital world which is subverting many of the assumptions and practices of commerce, community and creativity.

In that sense, what is happening in the taxi or point-to-point transport sector is exactly what is happening in other sectors as consumers become better informed, easy and cheap (especially mobile) communication dramatically shrinks the distance between consumers and producers, and new sources of power, control and influence over what people want to buy and enjoy are emerging.

The current review is not just a review of the taxi industry and how we cope with the rise of services like Uber. It is about how NSW responds to shape-shifting changes in the core operating systems of commerce and government. The answer it comes up with has to make sense in the light of that future, and not be driven by the need to either protect or privilege the past.

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Assuming the objective is to provide consumers with the best service that technology and innovation can offer, it is dangerous to allow the regulatory regime for the emerging service to be set in accordance with the standards and expectations of the old service. That is generally true in any domain which is experiencing the same, largely digital, disruptions to familiar contours of power, control and influence that are being more or less radially subverted.

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The taxi industry’s instinct to apply the regulations under which it operates to the new entrants, whose service reflects, broadly, the architecture and practices of the “sharing” economy, is unhelpful and misleading. New levels of transparency, new ways for consumers (passengers) and producers (drivers and networks) to be in much closer and more equal communication about all aspects of their relationship mean that at least some of the objectives of regulation – service quality, car standards, cost – are capable of being met in quite different ways. Regulation does not always need to be the first response.

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These new services are popular because they are cheap, convenient, responsive, high quality and, crucially, shift the balance of power towards better informed consumers and away from producers. Generally, that is a good thing. Whatever regulatory regime emerges from the review should do nothing to either deny or impede that shift. Indeed, it should encourage and work with its instincts and potential.

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Issues of insurance especially need to be taken into account when the possibility of accidents and damage by drivers and cars providing taxi or other passenger services need to be dealt with. Concerns about fairness and adequacy are central.

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Ensuring the quality of cars and the 'fitness' of drivers should, for the most part, be dealt with by relying on the standards that are set through the usual licensing processes. If there is a higher standard to be imposed on those who are driving others for money, over and above the usual standards that would apply to the general community when they are driving other people around in their cars, those special standards should be minimal, simple and as non-intrusive as possible.

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Levelling the playing field in terms of regulation and policy should not assume the task is to accept current regulatory models and standards as the appropriate benchmark to which all new services have to comply. The regulatory framework should be designed to work for contemporary conditions in which technology has made the basic producer-consumer relationship more transparent, and therefore more accountable.

At one level, it doesn't matter how we regulated these services in the past. The question is how to regulate these services in the future, given the significant shift in the way they can now be conceived and consumed.

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The defence of the current taxi industry in the face of the disruptive influence of new "unregulated" services often works from the assumption that the current system is working. In many cases, it isn't.

The taxi industry has to accept that at least some measure of the astonishing success of services like Uber is a function of the current industry's poor performance, despite all the regulation which is designed presumably to prevent this, in terms of things like cost, convenience, quality of the cars and quality of drivers. In that sense, as in other industries, the taxi industry is at least partly complicit in its own disruption.

The truth is that, for a lot of people, the traditional taxi experience has been steadily deteriorating for many years. In the face of mounting frustration and dissatisfaction, and as new technology fuels innovation and the advent of new ways to achieve their goals, consumers inevitably, and quite legitimately, choose something better. We have to keep remembering this. The disruption is happening because the new service is often better and the old service is often not good enough..

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The powerful attributes of the new transport services include the direct relationship established between driver and passenger, the transparent and traceable nature of all aspects of the transaction (cost, distance, driver's name, care registration etc) and the mutual rating system that allows both drivers and passengers to build reputations.

Co-producing the "product" (the experience of a good transport service), and the concern to build and keep good reputations are both powerful ways to ensure cooperation happens naturally. Cooperation, based on mutual self-interest and a level of trust and respect, is a powerful way to regulate any relationship,

Where this can happen, it renders many of the aspects of current regulation either unnecessary or less relevant. These new arrangements make it much easier for the interaction between producer and consumer itself to secure levels of trust, quality and safety which are ostensibly the purpose of the existing regulations.

The question therefore needs to be not so much “how do we extend current regulatory frameworks and methods to all services”, but rather “what is the minimum necessary regulation, given the new conditions that now exist between passengers and drivers largely because of new technology platforms and services, that can be applied as lightly as possible, and consistently, to all services?”

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Shifting technology, new customer preferences and competition are conspiring to offer consumers a much better service. That is a good thing.

Inevitably, those who offer the service being disrupted by these new conditions will try to stop the new service emerging and protect their interests and investments.

There may be policy reasons why some of these protective instincts need to be honoured, especially where previous policy settings encouraged those investments which now need to be, in some measure, compensated. But the reflexive reach for resistance by incumbents shouldn't drive the new policy response, which has to reflect contemporary and emerging conditions and preferences.

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The government's response to the new conditions that are emerging in the point-to-point transport market should not start from the assumption that regulation is either necessary or the best option. It may be, and it's hard to imagine a situation in which no regulation is necessary. But the discussion about how best to respond to the emerging circumstances should answer three simple questions:

- What are the objectives we want to achieve and the results we want to see in terms of safety, quality and convenience across Sydney's point-to-point transport services?
- To what extent can those objectives and results be realised as a function of the shifting relationship between consumers and producers, fuelled by the transparency and connectivity afforded by new social and other digital technologies especially? Is regulation necessary at all?
- If regulation is necessary, how can the simplest and least intrusive, but the most consistently and universally applied, regulatory regime be designed and applied that makes sense in the current and emerging technology and market conditions?

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Broadly, the current regulatory regime reflects the industrial context in which it emerged, characterised by a set of conditions that increasingly are either no longer relevant or much less significant.

They include considerable information asymmetry between consumers and producers, a distance between network operators, drivers and passengers which had to be mediated by third-party “clearing” systems, including especially booking systems, and a limited supply of the taxis themselves (ie conditions of scarcity).

Now, passengers face almost exactly opposite conditions.

There are (theoretically) as many potential "taxis" as there are unused cars on the road (or in the garage), passengers and drivers know each other's name and details and all aspects of the trip, including the route and the cost, are immediately transparent, tracked and auditable.

So if we need regulation, let's make sure it's regulation for conditions, essentially, of abundance, transparency, empowerment and connectedness and not for a set of conditions that matter less, are disappearing anyway and in whose unreasonable protection will be hidden powerful forces delaying the ability to satisfy consumer needs and expectations at less cost and to a higher standard of convenience and responsiveness.

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Universal service obligations, making sure people in specific circumstances, especially people with disabilities, and other aspects of access and fairness need to be dealt with explicitly as separate policy issues.

Trying to use the regulatory regime to fix them – and they are real issues, for sure – is unlikely to be successful and, in the process, risks distorting the other attributes of a preferred regulatory regime – simple, consistent, lightweight and easily amended to match changing circumstances.

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**Martin Stewart-Weeks | Sydney 10 September 2015**

This submission is made in a personal capacity and does not necessarily reflect the views of clients and others with whom I have worked or am currently working.