

19 January 2016

Operator Licensing Review Team
Ministry of Transport
PO Box 3175
WELLINGTON 6140

Dear Sir/Madam,

RE: Christchurch City Council Staff Submission on the future of small passenger services

1.0 Introductory comments

Christchurch City Council (Council) welcomes the opportunity to make a submission to the Ministry's small passenger services review team. Small passenger services fulfil a crucial role within a city's broader transportation 'ecosystem'. Shuttles, taxis, and ride matching services provide residents freedom of mobility and further travellers' mode choices for access to economic, social and cultural activities. It is important to acknowledge that as social, technological and economic trends influence traveller behaviour, cities in turn need a more flexible and effective regulatory framework to respond to their evolving transport needs. Passenger transportation is an integral component of a vibrant functioning city and Council intends, through this submission, to provide comment in developing a framework that is responsive to residents' transport demands today and into the future.

2.0 General comments

The Council is supportive of the Ministry's efforts to encourage innovations within the small passenger services sector and ensure that there is a regulatory environment that is flexible enough to accommodate changing technologies, consumer attitudes and transportation demands. However, we consider the focus of the review is too narrow in its scope and does not consider wider operational and business models that could emerge, and their role within the sector. Road controlling authorities often seek to better optimise network capacity by supporting measures such as carpooling. It is important that a range of incentives can be encouraged to achieve desired behaviour change when it comes to an individual's mode choice.

The Council supports entrepreneurship in transportation to deliver new services that support a range of travel options and meet the needs of residents and businesses. One of the primary goals of the Christchurch Transport Strategic Plan is to improve access and choice across the network and Council consider that the role of the small passenger services will grow in delivering that choice in future.

Globally, urban residents are shifting away from private car ownership and instead relying on combinations of scheduled modes (such as public transport), shared modes (such as bike sharing and car sharing) as well as on demand modes (such as taxis and on-demand ride-sharing). The accelerated change that is occurring in the industry means that business need to constantly adapt to meet traveller needs and subsequently won't neatly fit into predefined business models. It is therefore important that the review team considers not only business models that exist presently, but also consider scope for all emerging, and future transportation models.

3.0 Specific Comments

Section Two: The need for change

The Council agrees that there is a need for change in the small passenger services sector due to new and emerging technologies, outdated rules, and the need for further innovations to improve customer service. However the Council notes that the review team should consider that one of the pressing needs for change is how the sector is evolving to fulfil a more mainstream role within the transport sector. New passenger services are emerging that hold promise to provide an effective and efficient complement to the transportation network and help to reduce single occupant vehicle

trips. Some new passenger services may be contingent on having very straightforward market entry, therefore it is important that any regulations are well defined and not imposed unnecessarily.

In the near future, Council expects that individuals' travel demands will be met by an increasingly diverse range of multi-modal travel options. Internationally, this is evidenced by significant growth in non-traditional transport modes such as car and bike share schemes. It is anticipated that many more non-traditional forms of transportation will experience growth as they offer compelling alternatives to private car ownership. In order to grow and meet demand, new transportation business models need to be able to enter the market without unreasonable barriers to entry.

Sharing or offering rides to peers is one of the most promising and rapidly evolving areas within the urban transportation space. While the focus of the review is to further innovate and improve customer service within the sector, what is likely to occur is that out-of-scope services like carpooling are likely to improve to a point that they will look and feel like in-scope small passenger services. As technology makes market interactions easier, customers are likely to consume more of that good or service. When incentivised correctly, peer-to-peer transport has the potential to reach the required critical mass to unlock capacity within the network. The Ministry should carefully consider that new shared services may comprise a substantial proportion of passenger mode-share in future and therefore consider appropriate regulatory tools as the market expands.

Section Four: Features important to the future sector

The Council agrees that all the features identified in the review are important for the future of the sector. However considering future growth, it is important to 'weigh' each of the factors because in order to satisfy some, others will be compromised.

The Council also wishes to highlight that within the framework of the proposed changes, it is important that individuals are able to access trustworthy and reliable passenger services. Removing rules that control specific outcomes such as area knowledge and English language tests presents a risk that service quality and reliability could be diminished. The Council urges the Ministry to encourage operators that currently maintain a high standard of professional passenger services through similar internal testing and performance evaluation. Small passenger services fulfil a crucial role within a city's transportation network that involves a duty of care that goes beyond profitable business decisions.

Safety is listed as important to the future of the sector and it is stated that the Government wants to mitigate the safety risks, where practicable, to help provide passengers and drivers with the confidence they can use services safely. Critical to ensuring both driver and passenger safety is understanding the services that fall into the definitions of a small passenger services and the ones that don't. The issue with attempting to define various types of services within the scope of small passenger services is that business models will always try to fit into the category that has the lowest barrier to entry. Regulating a rapidly evolving sector of the transportation market is challenging and should only be undertaken when there is sufficient public risk to warrant regulation. It is important the review team carefully consider all practical and reasonable risks to passenger, driver, and vehicle safety in determining whether the risks are posed more wholly on the public at large or on the individual.

While the desired results of regulatory objectives are to mitigate risks, it is also important to acknowledge that only rarely are regulatory tools 100% effective. The most critical determination of the review should be where the threshold is for practicable, preventative measures without compromising the ability to grow small passenger services. Any anticipated risk to safety should

be weighed against the burden of regulatory compliance and considered within the context of the broader transportation network.

Section 11: Definitions and Exemptions

From the current interpretation of the discussion paper, it would appear as if out-of-scope activities (carpooling) are defined by financial reward being limited to cost-recovery and not for the driver's time. To ensure a wide range of options are available a critical mass of drivers and riders within a carpooling network needs to be achieved. Incentives should be available for drivers to go out of their way to pick up passengers beyond simply the marginal vehicular costs incurred when doing so. Traditionally it has been difficult for carpooling to gain traction as a mainstream transportation option in urban areas. This has primarily been due to the lack of incentives as drivers need to go out of their way to pick up passengers, and passengers need an alternative option that rivals the reliability comfort and convenience of driving themselves.

It is often not practicable to regulate all situations where passengers and drivers may or may not know each other. For instance, hitchhiking is not in-scope for the review, yet it would share several common themes with carpooling and ridesharing. Risks are present for both passengers and drivers when hitchhiking or carpooling, (arguably greater risks than taxis and shuttles) yet from a regulatory standpoint that risk is mutually undertaken by the individuals and not specifically managed by regulation. In New Zealand there has historically been no formal monetary exchange in offering rides and no expectation that the service would be 'in trade' under the consumer guarantees act.

In recent years several markets have been disrupted by the rise of this 'amateur economy', and regulators are having difficulty in defining this new space between private and commercial activity.

The review should consider the role of 'unapproved transport operators' and the role they serve in the broader transportation ecosystem. Council recommends that the definitions should not attempt to describe small passenger services by their business model but rather the type of service that is being provided. A nimble business can adapt and evolve to customer demands which could mean today they provide passenger transportation services but tomorrow be performing on-demand deliveries. Both these models have impacts on the performance of the local transport network yet only one would fall within the scope of the review.

Individuals should have convenient access to a range of private, public and shared transport modes that suit their needs. As new operating models emerge, they will not neatly fit into pre-defined models. It is likely that models will evolve and adopt new features to suit individuals' needs that are hard to define but will likely try and fit outside of any regulatory framework.

Some approved transport operators may also wish to operate a suite of transportation services ranging from shuttles to carpooling, which is why it is important not to define exemptions by their business model. A good example of a well-defined emerging ecosystem has been developed by The Shared Use Mobility Centre in Chicago. They have published a [reference guide](http://sharedusemobilitycenter.org/wp-content/uploads/2015/09/SharedUseMobility_ReferenceGuide_09.25.2015.pdf)¹ which is intended to provide clarity to help decision makers better define and understand the emerging ecosystem of new transportation services.

¹ http://sharedusemobilitycenter.org/wp-content/uploads/2015/09/SharedUseMobility_ReferenceGuide_09.25.2015.pdf

4.0 Concluding Remarks

Until the role of 'approved transport operators' is better acknowledged, understood and defined, the Council does not consider it appropriate to comment on the remainder of the consultation paper. In summary the Council would like to submit on the following points:

- Small passenger services (both in-scope and out-of-scope of the review) are likely to grow in future and should be encouraged to complement other transport modes and act as an alternative to single occupant vehicle trips.
- Safety is an important focus for the future of the sector, however all steps to mitigate risks should be carefully considered against the broader public benefits brought on by greater access, choice and efficiency offered by new services.
- The scope of the review has focused on creating a new single class system for small passenger services yet, there are not clear definitions for the types of services and their operators. Critical to ensuring a successful framework, is understanding the rationale for services that fall within the scope, and the ones that don't. A more thorough consideration should be placed on scope and discussed in the final review.

The Council is supportive of the Ministry's efforts to encourage innovations within the small passenger services sector and would like to thank the Ministry for the opportunity to make a submission on the Small Passenger Services Review.

If you require clarification on the points raised in this submission or additional information, please contact Richard Osborne at richard.osborne@ccc.govt.nz

Yours sincerely

Councillor Jones