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## **SUBMISSION ON TAXI INDUSTRY INNOVATION REVIEW**

Thank you for the opportunity to provide feedback on the review of the ACT taxi industry, and in particular the focus on new technologies for the industry.

The Insurance Council of Australia (ICA) is the industry association for the general insurance industry. Our members provide a range of insurance products in the ACT, including motor vehicle property insurance and compulsory third party (CTP) personal injury coverage.

In relation to the entry to the marketplace of alternative business models for transport, it is the ICA's position that it is a matter for State and Territory governments to determine the legality of services outside regulated taxi or hire car services.

The ICA supports the principle of competitive neutrality; like goods and services – for example, taxi services and ride sharing services – must be subject to the same consumer and safety regulations and requirements.

In the ACT, CTP insurance is paid at the same time as registration of a motor vehicle. Different vehicle classes are subject to different CTP premiums, depending on the risk relevant to that class.

Taxis have their own vehicle class, as they represent a substantially higher risk for CTP insurance claims, due to the increased time spent on the road, and the carriage of third party passengers. This risk is reflected in the premium charged. The current CTP premium for a taxi in the ACT ranges from \$9,554.70 to \$9,611.50 (business use), as opposed to a Class One passenger vehicle, which ranges from \$615.50 to \$644.10 (business use).

Ridesharing services provide the opportunity for private motor vehicle owners to use their vehicles to provide taxi services. Much as taxis carry a higher risk than private vehicle usage, vehicles that provide ridesharing services may also attract a higher claims frequency and higher claims cost than vehicles that are only used privately.

To fully fund an insurer's liabilities, premiums must be sufficient to meet the cost of claims when they are settled. The ICA's members that privately underwrite CTP insurance would expect ridesharing vehicles to be separately classified for the purposes of risk rating. This

would ensure that anyone providing ride sharing services was paying a CTP premium appropriate for the related risk, to ensure the class is fully funded.

If ridesharing vehicles were to remain Class One passenger vehicles alongside private-use vehicles, there is a risk that initially there would not be enough premium collected to pay all claims for the class, which would likely then lead to higher premiums payable by the whole class, including private-use vehicles. This could create a significant cross-subsidy in favour of vehicles used for commercial purposes.

The ICA suggests that ridesharing vehicles be separately classified, so that at registration, vehicle owners who intend to provide ridesharing services are required to register their vehicle on this basis and pay the relevant CTP premium for the ridesharing vehicle class. Ridesharing operators should require proof of this registration from their drivers.

If you have any questions about this submission, please contact Vicki Mullen, General Manager, Consumer Directorate on (02) 9253 5120 or [vmullen@insurancecouncil.com.au](mailto:vmullen@insurancecouncil.com.au).

Yours sincerely



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