

# Operating areas as a regulatory lever

Operating areas represent one of the three main levers that the Board uses to regulate the passenger transportation market. Operating areas are applicable to all passenger transportation sectors, but it reflects different business models in each of the sectors. Operating areas are specified in terms and conditions of licence and explained in associated policies.

Operating areas for taxis generally fall within municipal boundaries, while TNS operating areas are more broadly defined according to regions. By comparison, limousine operating areas vary but may be around the regional district level. Inter-city buses do not have operating areas per se; however, the terms and conditions of their licences define specific routes.

Operating areas for individual licensees are typically defined in the terms and conditions of licence under the Board's authority under the Act. In determining a licensee operating area, the Board considers a number of factors, including the possible effects that granting a proposed operating area could have on the rest of the sector or the market as a whole. The Board considers this under the sound economic conditions criteria.

A principal consideration behind operating areas is the need to support the provision of services to the public in areas where passenger transportation services are lacking or insufficient. Limited or local operating areas may encourage more service in rural or remote areas. The Board considers demand in an operating area in relation to the existing fleet or services providing supply in the area.

Operating areas also serve to promote balanced competition between licensees in the interests of business and service sustainability. They ensure that there are not too many licensees competing for too few customers, so that each licensee has a reasonable opportunity to be sustainable as a business and provide sustainable service to the public. The local needs of the public for service must

also be balanced with the consequences of “deadheading”, as operators return to their operating area.

As with any of the three regulatory levers available to the Board, decisions regarding operating areas can have a significant impact on the entire market. For this reason, the Board carefully considers all available data across the industry and conducts quantitative analysis to obtain objective evidence before making systemic decisions regarding operating areas.