

AUSTRALIAN TAXI INDUSTRY ASSOCIATION

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Mr G Banks
Chairman
Productivity Commission
PO Box 80
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Dear Mr Banks

RE: REVIEW OF NATIONAL COMPETITION POLICY REFORMS

We refer to the Productivity Commission's Discussion Draft regarding the Review of National Competition Policy Reforms and our presentation at the Commission's public hearing in Canberra 13 December 2004.

Consistent with our presentation, we tender the following comments on behalf of the Australian taxi industry for your further consideration.

1. The ATIA commends the Productivity Commission (PC) for its focus on Australia's unsustainably high reliance on private motor vehicles, particularly as the preferred mode for passenger transits. The discussion draft rightly identifies the need to radically reform Australia's approach to Passenger Transport, and thereby, seriously address the huge economic (estimated to cost \$30 billion by 2015), environmental and social problems associated with traffic congestion.
2. The discussion draft curiously differentiates taxis from "public transport" (see p 188). The ATIA considers this to be an error requiring correction. Public transport should be viewed as an integrated system comprising both scheduled public transport services (e.g. rail, bus, coach, ferries etc) and on-demand public transport services (i.e. taxis). Public transport is distinguished from private transport by its availability for general hire / use (not by vehicle type or mode).
3. The discussion draft curiously does not acknowledge any particular environmental benefit(s) from taxi usage. The ATIA considers this to be an oversight requiring correction. Taxis use environmentally friendly, low emission LPG (e.g. 90% of taxis in capital cities and major regional centres), average 2.3 passengers per trip (in Queensland), reduce demand on inner city and other destination car parking facilities, and augment / replace mass (public) transit services at off-peak times.
4. For the reasons outlined in the previous point the ATIA also believes that taxis have an important contribution to make in any integrated strategy seeking to reduce passenger transits in private motor vehicles and the associated problems of congestion. We believe this role should be acknowledged in the discussion draft.
5. The discussion draft understates the important contribution of Wheelchair Accessible Taxis (WATs) in making Australia a more inclusive, accessible society and economy. Overseas studies have shown conclusively that overcoming transportation barriers is a key success factor for programs aimed at improving workforce participation by

persons with a disability. (NB Disability in this context is by no means limited to just a physical mobility impairment).

6. The discussion draft curiously ignores the public benefit tests undertaken by the Queensland and South Australian state governments (see p 190). The reviews completed by these governments do not support deregulation and the ATIA believes their dissenting voice should be acknowledged in the discussion draft.
7. The ATIA (along with others) has previously made the case that improving productivity of taxi services is a function of the industry's capacity to minimise down time (i.e. dead running and waiting time on ranks). This is accomplished by integrating an efficient hail/rank service with an equally efficient booking/despach service. By despatching (or otherwise making available) the closest taxi to transport a passenger, paradoxically, an efficient coordinated taxi service using a limited number of taxis will consistently and significantly outperform other models running with higher taxi numbers (especially open entry models) on metrics such as –
 - a. timeliness of service and response times;
 - b. allocative efficiency (e.g. minimising fuel, driver time, and maintenance costs associated with dead running);
 - c. allocative effectiveness (e.g. maintenance of acceptable service levels in low demand areas such as fringe and other low density suburbs that characterise the Australian urban form).

The experiences of the Northern Territory and overseas jurisdictions that have allowed open entry market conditions to apply to the supply of taxis demonstrate unequivocally that driver and taxi productivity falls in such environments. The ATIA believes that the discussion draft should express support for the linkage between deregulation and declining productivity as an important consideration and accordingly strengthen the general tone of its commentary on page 191.

8. The discussion draft correctly identifies the problem of providing fair and reasonable compensation to existing licence holders as a difficulty for regulators contemplating deregulation of the taxi industry. However, the ATIA disagrees with the comment in the discussion draft that this is the “main barrier” to deregulating taxi markets (pp 190/191). The ATIA believes that the fundamental and overwhelming barrier to the deregulation of taxi markets is that it delivers substantially inferior outcomes for all affected stakeholders – the community, governments, taxi customers, drivers, operators, licence holders, and despatch companies. This position is confirmed by the empirical evidence documented in the research of Professor Nicholls from the Australian National University (cited in the discussion draft).
9. The ATIA strongly believes that the taxi industry has a major contribution to make in improving the delivery of passenger transport services in Australia. To that end we believe that the “genuine reforms in the taxi sector” noted on page 192 of the discussion paper should be considered in the context of the bigger picture – making an integrated Public Transport system more competitive vis-à-vis passenger transits using private motor vehicles. Public policy makers must move beyond simplistic tinkering with the components of the Public Transport system considered in isolation and develop a sophisticated and comprehensive strategy for redressing the imbalance between public / private passenger transportation.
10. The discussion paper's recommendation for COAG to commission an independent national review of the passenger transport sector (p 192) would have the support of the ATIA subject to the following qualifications
 - a. reasonable access and involvement in the review process being afforded to key stakeholders (such as the ATIA); and

- b. the significant social and environmental impacts that flow from changes to the public transport system, potentially positive and negative, should require the review to adopt a traditional approach to public policy determination (consistent with the Commission's comments on p 124).

In summary, the Australian taxi industry is not broken or desperately in need of reform. To the contrary, on a very broad range of metrics it outperforms international benchmarks.

This strong position represents an opportunity for public policy makers. The Australian taxi industry is well placed to support and complement strategies and initiatives aimed at reducing the nation's unsustainable pre-occupation and reliance on private motor vehicles for passenger transportation. Taxis should not be viewed in isolation but rather as an integrated linkage that has been otherwise missing when mass transit services have tried unsuccessfully to compete with the convenience and comfort of private cars.

The Australian taxi industry has already delivered significant environmental and social dividends to the national economy. With huge challenges ahead in terms of traffic congestion, air pollution, social fragmentation, an aging population (etc) it is absolutely essential that policy makers engage with the taxi industry, view it as part of the solution, and allow and encourage it to grow and develop new and innovative service offerings. The ATIA believes that this should be the focus of any "genuine reforms" targeting the taxi sector.

Yours sincerely

Blair Davies
Secretary