



**Issues Relating to Strategic Planning for the  
Australian Tax Industry**

**by**

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**for the**

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## **Executive Summary**

The taxi industry in Australia has, by its very nature, been subjected to continual change, including changes implemented through legislation by governments responsible for regulating the industry. The industry itself has been successful in analysing and responding to the challenges and opportunities resulting from changes from these changes and responding to these in a manner aimed at protecting its members interests.

This report has identified opportunities and challenges for the Australian taxi industry into the future. Significant factors identified as having the potential to impact on the industry from the point of view of changing demand for taxi, and related, services include:

- rapid changes in communications and technology, both hardware and software,
- the increase in teleworking, teleconferencing and videoconferencing and the resultant impact on business travel,
- social changes, including the significant increase in two income working families, and the flow on effects on domestic tourism,
- international events including the (negative) impact of terrorism and the SARS outbreak, and the (positive) impact of the Sydney Olympics (2000) and the forthcoming Commonwealth games in Melbourne (2006),
- the impact of the post war 'baby boomers' moving into retirement and the expected changes in the types of demand for transport services resulting from the projected dramatic increase in the percentage of the population moving into the 65+ age group,
- the related impact of the future needs of the disabled,
- the impact of the introduction of new government policies/initiatives which affect the taxi industry.

From the nature of the changes which will be expected in the future, it is clear that the industry will need to be proactive and work closely with relevant agencies, recognising that the impact of these changes will vary between regions/jurisdictions. Many of the identified opportunities gives the taxi industry the potential to work together with private and public sector agencies to offer value added or premium services such as door through door services (as distinct from the basic door to door service).

## 1. Introduction

In 2004 the United States Taxicab, Limousine and Paratransit Association (TLPA) released an interim report<sup>1</sup> (based on research conducted by the Forbes Group) which was aimed at a study of TLPA members markets to identify issues important in formulating a strategic plan to increase the value the TLPA provides to its members.

This report will have similar aims to that of the TLPA report in that it will identify issues which will be expected to affect taxi services into the future in Australia. It will analyse these issues and identify potential changes which will form a basis for the Australian Taxi Industry Association (ATIA) to be pro-active in planning to capitalise on these expected changes in a manner which will benefit not only its members but its customers as well. While many of the issues affecting supply and demand for taxi services in Australia will be similar to those in many overseas markets, particularly at the macro level, there will be significant differences as a result of the different (local, state/territory and Federal government) conditions under which the Australian taxi industry must operate. What this report aims to do is to identify issues and factors that have the potential to significantly impact on the demand for, and supply of, taxi services into the future.

The identifying factors considered will be those which will affect the industry primarily at the macro-level, as distinct from the micro-level. Because of the diverse nature of the industry between states/territories and indeed regions within states/territories, local conditions would be expected to impact on different areas in different ways and will generally not be emphasised in this report.

The impact of economic, social, demographic and technological changes and how they will impact on today's customers with respect to their public transport needs into the future will be considered, as well as the impact of Government regulations/controls, at the local, state/territory and Federal government levels.

When one considers the changes that have been experienced by the transport industry in the last 10 years, changes in the next decade have the potential to be equally as significant or indeed more so. Like the US and Europe, and identified in the TLPA report in the case of the US, the combination of a shift to information-intensive services, electronic commerce and globalisation has restructured the economic landscape, 'changing the kinds of businesses that are being formed, the types of jobs being created and the reason and means to meet and travel'.

What will be examined in this report is the potential future impact on the taxi industry of relevant factors relating to:

- Business Travel
- Private Travel
- Tourism
- The Ageing population
- The Involuntary Taxi User Market, and
- Government Policy.

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<sup>1</sup> Interim Report of the Strategic Planning Committee of the Taxicab, Limousine & Paratransport Association. US Taxicab Limousines and Paratransit Association. (May 2004).

All of these will to some degree be affected by economic, social, demographic and technological changes. By having an awareness of developing trends, the taxi industry should be proactive not only in maintaining market share into the future but also to work with appropriate agencies with the aim of increasing market share which will follow from increased customer satisfaction. This may involve offering more than a basic door to door taxi service, with the industry being prepared to offer premium or value added services (such as door through door services).

The macro level approach of this study will include a consideration of the impact of significant 'one-off' events which have had, or will have, a considerable effect on areas relating to business/personal travel and tourism. It is well documented that events such as the terrorist attack on the World Trade Centre in September 2001, the SARS outbreak, terrorist attacks in the UK and Bali and the potential outbreak of an avian influenza pandemic have all had, or will have, a negative impact on international travel, with consequent flow on effects to sections of the taxi industry. Events such as these are normally not predictable of course.

## **2. Business Travel**

Research indicates that, historically, declines in business travel have occurred during the longest and strongest periods of economic expansion. This phenomenon indicates that business travel is responding to factors that are fundamentally redefining the purpose for business trips. This can be expected to continue, and indeed increase into the future.

Over the last decade there has been a move towards the rationalisation of business travel by major corporations as a result of the impact of many factors, including increased business airfares, heightened security, and technological advances allowing for the expanded use of communications, including teleconferencing and videoconferencing. Businesses are, on a continuing basis, evaluating how to best use the ever increasing variety of communication tools being made available to them.

Australia, along with other developed countries, has experienced a shift from goods producing businesses to more information intensive service businesses and this has been seen to have a negative impact on the demand for business travel. Furthermore the globalisation of business partnerships has made many face-to-face meetings impractical and indeed unnecessary as a result of information technology changes and advances in teleconferencing facilities.

### **2.1 Teleworking**

The rapid advances in telecommunications, including the expansion of broadband internet access in Australia, now allows large sections of the workforce to perform their jobs without having to go to a the traditional workplace. Instead of commuting to an office on a daily basis many work from home, at a nearby local centre or from a virtual office on the road using a portable computer with an internet connection. The rapidly increasing functionality of mobile phones and portable computers, allowing for their

connection to the internet and the sending and the receiving of information, including e-mails, is also contributing to the dramatic increase in teleworking<sup>2</sup>.

The Commonwealth Department of Communications, Information Technology and the Arts, in collaboration with the Department of Employment and Workplace Relations has recently prepared two discussion papers<sup>3, 4</sup> for the Australian Telework Advisory Committee (ATAC).

The take-up of teleworking internationally has increased significantly over the last decade, particularly in the US and Western Europe, and is expected to further increase into the future. The Netherlands has the highest incidence of teleworking in Europe (26%) as at 2002, while in the US the percentage is 25%. The typical teleworker in the US and Western Europe is a white collar worker 35-45 years of age in the middle of their careers and is likely to be in a managerial, professional or technical position. The proportion of teleworkers is high in banking, finance, the insurance sector, business services, the health sector and the voluntary sector. By 2004 an estimated 93% of US teleworkers were connected to the internet with the number of broadband enabled teleworkers increasing 84% in a year. It is well recognised that the potential for telework growth is considerable in the US and Western Europe.

While the uptake in teleworking in Australia appears to lag behind that in Western Europe and the US (there is currently little relevant statistical data available in Australia) there is an expectation that the rapid developments in communications and information transfer will see a significant increase in the future. In 2001 the Australian Bureau of Statistics conducted a survey in NSW on behalf of the NSW Roads and Traffic Authority (which is regarded as a teleworking pioneer in Australia) to estimate the number of teleworkers. Their findings indicated that in the three months to October 2001 an estimated 8% of those employed in NSW teleworked, with the majority living in Sydney. The most common age group participating in teleworking was 35-44 years, the same as that overseas.

In line with the overseas experience, and given the rapid developments in communications capabilities, there is little doubt that significant increases in the uptake of teleworking is inevitable. A recent report (2004) by Toshiba on workplace attitudes towards flexible working arrangements in 400 Australian businesses (referred to in the second ATAC report), showed that 38% of Australian organisations have introduced flexible workplace arrangements (which include telework).

## **2.2 Teleconferencing**

During the last decade teleconferencing has seen an explosive growth in the business community, as is also the case for videoconferencing. As broadband facilities become more commonplace it is natural that teleconferencing will become even more attractive. Currently there is a paucity of data available relating to the increase in teleconferencing by business in Australia. However when one checks the availability of commercial

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<sup>2</sup> Teleworkers are defined as persons who telework from home, mobile teleworkers or self-employed persons working from a home based office.

<sup>3</sup> Telework in Australia. Australian Telework Advisory Committee (ATAC), Paper II. (March 2005).

<sup>4</sup> Telework-International Developments. Australian Telework Advisory Committee (ATAC), Paper III.. (March 2005).

teleconference facilities, it is clear that this market has shown a dramatic increase in recent years.

All universities in Australia are heavily reliant on communicating with students through the internet, and indeed having students fully familiar with the internet for information retrieval and exchange. This has had the result of producing young professionals for whom distance learning and communications has been an integral part of their education. They are well versed with the potential (and limitations) of virtual meetings/electronic information exchange and would be expected to make even more effective use of these tools into their future workplace environments.

### **2.3 Globalisation**

A study conducted by AT&T, a US telecommunications company, has reported that a significant increase in remote working is taking place around the world with the business drivers contributing to this, including better technology and cost pressures. The declining trend in business travel was recognised before the September 11 2001 attack on the World Trade Centre in New York and the health scare relating to SARS. Other studies have identified the riskier global environment as reinforcing rather than causing the growth in virtual meetings.

What has been identified is that business practices and new competitive demands are driving telework, teleconferencing and videoconferencing globally (not the other way around as some believe). Terrorism and the SARS epidemic in Asia have led companies to re-evaluate remote workforce activity. Consequently transport providers should recognise these phenomena and their impact on global business travel.

### **2.4 The Future Demand for Business Travel**

While there is a paucity of current relevant data available in Australia, there is anecdotal evidence that Australia is closely following overseas experiences with respect to the demand for business travel, both nationally and internationally. The ability to communicate and collaborate remotely, together with costs, savings in time and security issues are having a negative impact on business travel, and are expected to continue to do so.

## **3. Private Travel**

There are many factors which have affected private travel and which are, or will, increasingly affect private travel in Australia.

- With both spouses working, survey results have indicated that the traditional family vacation is becoming less common. In the last two decades the number of two income families has risen dramatically both in Australia and in developed overseas countries. The expectation that this would result in couples having more time to travel has not eventuated; consumers feel they have less time to travel. With two spouse work schedules to consider, there has been a shift to shorter more frequent holidays rather than the traditional 2-3 week holiday.

- In an environment where the post war baby boomers moving into retirement are starting to impact, people in the work place are expected, or being called upon, to care for a rapidly growing older population. A US study in 2000 estimated that 27% of the adult population in America spend 10 or more hours per week providing some kind of help with the activities of the day to day living to an elderly relative, with the most common services provided by these carers being transportation.
- In Australia, the successful passage of the new Industrial Relations legislation through the Commonwealth parliament at the end of 2005 will mean that over a period of time there will be the potential for significant changes in small business employees working environments which could have an impact on employee benefits, including the possibility of less vacation time and holiday pay. This trend is already evident in the US.
- From the point of view of private travel the affordability of motor vehicles is also a significant issue affecting the demand for taxis in many regions. Table 3.1 shows the increase in registered motor vehicles per 1,000 people between 1991 and 2002 for the states and territories.

**Table 3.1**

**<sup>5</sup>Registered Motor Vehicles per 1,000 people - 1991 and 2002**

|                   | <b>1991</b> | <b>2002</b> | <b>% Change</b> |
|-------------------|-------------|-------------|-----------------|
| <b>ACT</b>        | 556         | 643         | 15.6            |
| <b>NSW</b>        | 525         | 578         | 10.1            |
| <b>NT</b>         | 507         | 520         | 2.6             |
| <b>Queensland</b> | 569         | 663         | 16.5            |
| <b>SA</b>         | 637         | 699         | 9.7             |
| <b>Tasmania</b>   | 643         | 708         | 10.1            |
| <b>Victoria</b>   | 622         | 701         | 12.7            |
| <b>WA</b>         | 653         | 731         | 11.9            |
| <b>Australia</b>  | 582         | 652         | 12.0            |

As the figures in Table 3.1 indicate, growth in motor vehicle ownership has increased dramatically between 1991 and 2002. To confirm this trend, between 1996 and 2003 the number of light motor vehicles per capita in the ACT has increased from 0.52 to 0.62, a rise of 19%.

The growth in private vehicle ownership has been largely driven by the greater affordability of motor vehicles, both new and second hand. This allows for the opportunity for more people to use their private vehicle as their primary means of travel for work and leisure, in preference to public transport (including taxis).

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<sup>5</sup> Source: Determination of Taxi Fares for the Period 1 July 2004 to 30 June 2007. (Report 11) ACT Independent Competition and Regulatory Commission. (2004).



- The increase in levels of car ownership has also contributed to a significant increase in traffic congestion in many major cities. This has resulted in problems with traffic flow for all drivers, including taxi drivers, particularly at peak hours in areas of demand for taxi services (city centres and airports). Flow on effects include loss of revenue for taxi drivers and increased waiting time for customers.

Even though there are a number of threats and challenges in the private travel market, there are also potential opportunities in the future. As a result of the post war baby boom, there is a growing number of retirees who vacation differently from the majority of two income families. Current demographic research into retirees expenditure patterns has considered three age groups, 55-64, 65-74 and 75 and above. As is the case of overseas studies, these groups have very different lifestyles, living arrangements and priorities. The younger age group are more physically active, generally have their health and life savings and has been identified as the fastest growing segment of the travel market.

The mass of Government statistics and analyses indicate that increasingly affluent retirees can be expected to have a significant impact on the for-hire transportation market, both with respect to travel needs and in neighbourhoods where public transport is deficient.

#### 4. Tourism

One of the major industries affecting the taxi industry is that of tourism, both international and domestic, with different regions of Australia being more sensitive to fluctuations in tourist numbers than others.

A recent Australian Government Department of Industry, Tourism and Resources (DITR) report<sup>6</sup> has listed movements in the number of International visitors to Australia and appears in Table 4.1.

**Table 4.1**  
**International Visitor Arrivals in Australia**

| <b>Year</b> | <b>Visitors</b> | <b>% Change over Previous Year</b> |
|-------------|-----------------|------------------------------------|
| <b>1997</b> | 4,317,900       | 3.7%                               |
| <b>1998</b> | 4,167,200       | -3.5%                              |
| <b>1999</b> | 4,459,500       | 7.0%                               |
| <b>2000</b> | 4,931,400       | 10.6%                              |
| <b>2001</b> | 4,855,800       | -1.5%                              |
| <b>2002</b> | 4,841,200       | -0.3%                              |
| <b>2003</b> | 4,745,900       | -2.0%                              |
| <b>2004</b> | 5,215,000       | 9.9%                               |

This table indicates significant movements between years caused by local and international events. The drop in 1998 was attributed to the Asian financial crisis which

<sup>6</sup> Australia's Facts & Figures at a Glance. Australian Government Department of Industry, Tourism and Resources. (DITR). (May 2005).

resulted in a fall in numbers from those countries most affected. In 2000 the increase was as a direct result of the Sydney Olympics and associated events. The decline in the number of arrivals of overseas tourists in the following three years resulted from incidents such as the terrorist attacks of 11 September 2001, the Ansett collapse, SARS, and a slowdown in economic growth in a number of overseas countries.

In a press release on 6 October 2005 TTF (Tourism and Transport Forum) Australia reported that overseas visitor numbers grew over the previous year with an increase in visitor numbers of 6.5% in August 2005 compared to August 2004. Taiwan, Hong Kong and Korea showed significant increases. However overseas visitors from Japan dropped by 3.5%, or 3,500 less visitors in August 2005 compared to August the previous year.

It would be expected that 2006 will see a significant increase in overseas tourists as a direct result of the Commonwealth Games being held in Melbourne.

From the point of view of domestic tourism in Australia, Table 4.2 summarises visitor numbers and expenditure movements for the period 1999-2004.

<sup>7</sup>**Table 4.2**  
**Domestic Tourism in Australia**

| <b>Year</b> | <b>Number of Visitors ('000)</b> | <b>% Change on Previous Year</b> | <b>Expenditure (Overnight and Day Visitors) \$ Billion</b> | <b>% Change on Previous Year</b> |
|-------------|----------------------------------|----------------------------------|--|----------------------------------|
| <b>1999</b> | 72,969                           | -1.1%                            | 45.5   | 5.8%                             |
| <b>2000</b> | 73,771                           | 1.1%                             | 49.2   | 8.1%                             |
| <b>2001</b> | 74,585                           | 1.1%                             | 49.9   | 1.4%                             |
| <b>2002</b> | 75,339                           | 1.0%                             | 51.8   | 3.8%                             |
| <b>2003</b> | 73,621                           | -2.3%                            | 51.3   | -1.0%                            |
| <b>2004</b> | 74,301                           | 0.9%                             | 51.1   | -0.4%                            |

These data indicate that the number of domestic tourists has been relatively static in recent years, with expenditure falling in the last two years.

A recent press report<sup>8</sup> discussed the findings of a benchmark study by the Bureau of Tourism Research<sup>9</sup> which indicates that the overnight domestic leisure market is in long term decline. The study showed that domestic tourism is becoming a two-tier industry with tourism and accommodation businesses located near low cost carrier hubs doing well, 'while those without air access struggle.'

This has been confirmed by many in the marketplace, including the General Manager of Australian operations at major hotel operator Accor who has reported that '..... domestic travel has softened across the group'. Tourism Australia's managing director has also

<sup>7</sup> Source: Tourism Research Australia.

<sup>8</sup> *The Australian* 23 November 2005.

<sup>9</sup> Now Tourism Australia.

stated that Australians are taking fewer holidays – a situation his organisation is now researching in a bid to reverse the trend.

Given the importance of the tourism market for the taxi industry, in particular regions of the country its erratic nature from the point of view of international visitor numbers and the overall decline in the case of domestic tourism emphasizes the importance of the need for tourism related industries and relevant Government agencies to promote the tourism industry.

## 5. The Ageing Population

There is no doubt that the ageing of Australia's population will be a major factor impacting on Australia's economy into the future. This is as a direct result of the so-called post war baby boom, with this cohort of the population now entering retirement age. Both state and Federal governments have recognised this and as a result there has been, and continues to be, a significant amount of research conducted in an attempt to quantify its impact on all aspects of the economy, including health, welfare and employment.

Recent major studies and reports include: Ageing Gracefully<sup>10</sup>, An Overview of the Economic Implications of Australia's Ageing Population Profile<sup>11</sup>, and a report on The Economic Implications of an Ageing Australia<sup>12</sup>.

The Australian Bureau of Statistics (ABS) recognised the importance of this phenomenon and within that organisation created a National Ageing Statistics Unit (NASU) in 2002. The aim of this unit is to highlight developments in statistics on aspects of the ageing population, and features articles analysing data on typical ageing issues and other information of interest to researchers and policy makers.

The ABS has estimated that between 30 June 1984 and 30 June 2004, the proportion of population aged 15-64 years has remained relatively stable, increasing from 66% to 67% of the total population while the proportion of the population aged under 15 years of age decreased from 24.0% to 19.8%. However during the same period the proportion of people aged 65 years and over has increased from 10.1% to 13.0%.

Figure 5.1<sup>13</sup> illustrates the ageing of Australia's population projected to occur over the next 100 years. This is the result of fertility remaining at low levels over a long period of time coupled with increasing life expectancy. The median age of Australia's population is projected to increase from 35.9 years in 2001-02 to between 40.4 and 42.3 years in 2020-21 and to between 46.0 and 49.9 years in 2050-51. In 2100-01 the median age of the population is projected to be between 47.5 and 50.5 years.

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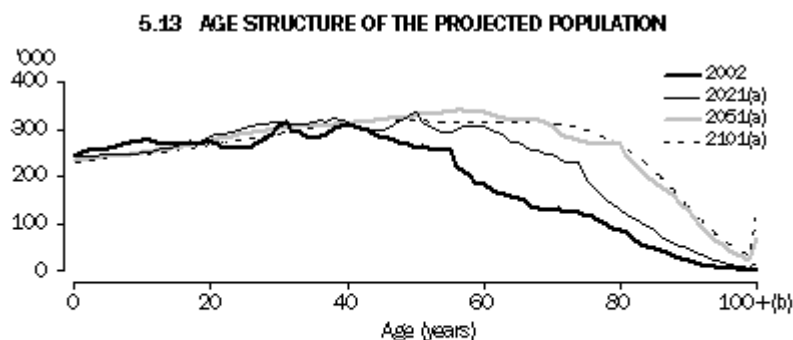
<sup>10</sup> Report of the Commonwealth Government House of Representatives Standing Committee on Ageing. (2005).

<sup>11</sup> Commonwealth Department of Health and Aged Care. Occasional Papers: New Series No. 10. (1999).

<sup>12</sup> Productivity Commission Research Report. (March 2005).

<sup>13</sup> See ABS publication 3201.0. (2005).

**Figure 5.1**



(a) Series B population projections. (b) The 100-years age group includes all ages 100 years and over and therefore is not strictly comparable with single year ages in the rest of the graph.

Source: Population by Age and Sex, Australian States and Territories (3201.0); Population Projections, Australia, 2002 to 2101 (3222.0).

Table 5.1 presents a range of indicators, including population size and structure, to illustrate changes (actual and projected) in Australia's population from 1901 to 2101. These summary indicators show the dramatic change in the population profile into the future, particularly with respect to the increase in the 65-84 year age group.

**Table 5.1**

| POPULATION, Summary indicators      |       |         |         |          |          |          |          |          |
|-------------------------------------|-------|---------|---------|----------|----------|----------|----------|----------|
|                                     | Units | 1901    | 1947    | 1971     | 2002     | 2021(a)  | 2051(a)  | 2101(a)  |
| Total population                    | '000  | 3,773.8 | 7,579.4 | 13,067.3 | 19,662.8 | 23,368.4 | 26,421.5 | 26,355.7 |
| Proportion of population            |       |         |         |          |          |          |          |          |
| 0-14 years                          | %     | 35.1    | 25.1    | 28.7     | 20.3     | 16.1     | 14.0     | 13.8     |
| 15-64 years                         | %     | 60.8    | 66.8    | 63.0     | 67.1     | 64.9     | 58.9     | 57.2     |
| 65-84 years                         | %     | 3.9     | 7.7     | 7.8      | 11.2     | 16.5     | 21.1     | 22.0     |
| 85 years and over                   | %     | 0.1     | 0.4     | 0.5      | 1.4      | 2.5      | 6.0      | 6.9      |
| Males per 100 females               | no.   | 110.1   | 100.4   | 101.1    | 98.4     | 98.7     | 98.7     | 99.4     |
| Median age                          | years | 22.5    | 30.7    | 27.5     | 35.9     | 41.2     | 46.8     | 47.5     |
| Proportion living in capital cities | %     | 36.8    | 51.2    | 63.2     | 63.9     | 64.5     | 66.6     | n.a.     |

Source: ABS Australian Demographic Statistics (3101.0); Population Projections, Australia, 2002 to 2101 (3222.0).

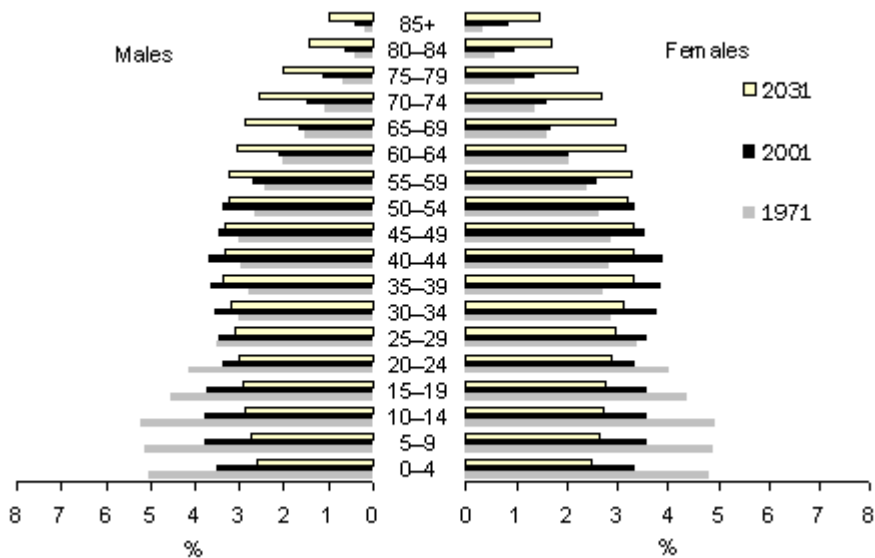
Given the significant migration of retirees to Queensland, it is of interest to examine the impact of the increasing survival rate on the age distribution of Queensland residents, together with the projected changing age structure for that state. Figure 5.2 gives a graphical illustration of the increased life expectancy in Queensland for the period 1971 – 2001, while Figure 5.3 illustrates the shift in age structure in Queensland from 1971 to 2001 and projected to 2031.

**Figure 5.2**  
**Life Expectancy – Queensland 1971-2001**



Source: ABS, Australian Demographic Trends (cat. no. 3102.0); Deaths, Australia (cat. no. 3302.0); Demography, Queensland (cat. no. 3311.3).

**Figure 5.3**  
**Age Structure of the Queensland Population, 1971, 2001 and 2031**



Source: ABS, Population Projections, Australia (cat. no. 3222.0).

It is clear from the data summarised in these graphs that there has been, and will continue to be, a dramatic shift in the demographic structure of the Queensland population. There are similar trends in the data relating to other states and territories and reflect the impact of increased life expectancy and the post war baby boom on Australia's demographic structure.

Having identified the phenomenon of an ageing population, as has been indicated the Federal and state/territory governments are working to evaluate its effects and prepare for the impact of this so as to determine how it is to be best managed. With regard to public transport, the ABS in a 2003 report<sup>14</sup> states:

‘The challenge of delivering effective public transport for the future will need to take into account the changing age structure of the population, as well as changes to living arrangements, changing health and mobility, and levels of car ownership and usage. For older people, accessible and affordable public, private and community based transport can assist in maintaining mobility and independence, and reducing isolation by providing a link between them and the wider community. .... .

The number of motor vehicles garaged, parked at or near occupied private dwellings on the night of the 2001 census, decreased with age, with one in ten people in the 65-74 age group reporting no vehicle, increasing to almost four in ten people aged 85 and over. Overall 17.1% of older persons (65 and over) reported no vehicles, compared with 4.5% of persons aged 45-64 years. Almost half of the older population (48.7%) reported the presence of a single motor vehicle.’

The impact of the ageing of the population should be seen as a real opportunity for the taxi industry. While a number of the other factors identified in this report could be seen as having a potentially negative impact on demand for taxi services, increased life expectancy combined with the effects of the post war baby boomers entering retirement offers an opportunity for the industry to work with all levels of government (local, state, territory and Federal) to ensure that older members of the community can continue to be independent and to live at home in familiar surroundings, rather than having to be displaced from that environment. A significant increase in the currently available subsidised taxi fare schemes to enable this to happen is one area which could be addressed by the industry in consultation with the appropriate government agencies.

## **6. The Involuntary Taxi User Market**

The local transportation market, of which the taxi industry is a major component, can be divided into two distinct groups of customers, voluntary users and involuntary users. Voluntary users of taxis are those who, even though they have access to (and the ability to use) other means of transport, choose to use taxis from time to time. Involuntary users include the elderly, the physically disabled and the financially disadvantaged.

During the last ten years a buoyant economy (record low unemployment, rising income and low interest rates) have all put downward pressure on the number of voluntary taxi hirers. For example as has already been discussed the affordability of both new and second hand motor vehicles has increased dramatically since 1991. This increased car ownership has been identified as having had a detrimental impact on the demand for taxi services in many areas.

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<sup>14</sup> Ageing in Australia 2001. ABS Catalogue No. 2048.0 (October 2003.)

In the case of involuntary taxi hirers, this is predicted to be an area for significant growth into the future, although it will almost certainly offer challenges to be met which will require a close working relationship between the taxi industry and relevant public and private sector agencies. With the impact of the ageing population combined with Government policies aimed at encouraging older people to continue to live independently, the demand for taxi services, including subsidised taxi services, to support this group will increase into the future.

In the case of wheelchair accessible taxis (WATs), in the US the TLPA report states:

‘... , price control policies on wheelchair-accessible transport services intended to assure access to local transport services for communities’ poor and disabled have actually had the opposite effect of restricting access by undermining incentives for the private sector to serve the local transportation market and limiting supply. This has unfairly encouraged investment in public and non-profit providers while leaving the private, for hire sector open to charges of ignoring the most needy local customers, and making private, for-hire firms the providers of last resort in the minds of public policy makers.’

This situation has also occurred in certain regions in Australia. Indeed in the ACT for example the WAT fleet has been in serious decline. Even though WAT lease fees are only \$1,000 per annum, the number of WAT vehicles operating in the ACT has declined from 26 to a current fleet of 16. Limited local government funding to support the WAT service has been insufficient for many operators to maintain a viable business.

Opportunities for the taxi industry will emerge into the future in the case of the elderly as a result of increased numbers of this cohort of the population being subject to either voluntary or imposed driving restrictions and the physically or mentally disabled groups who are unable to drive. Because of Australia’s demographic profile there is no doubt these types of customers are going to require significantly increased transport services.

The elderly are the fastest growing demographic group in Australia. As Table 5.1 indicates the over 65 group is forecast to increase to 19% in 2021, up from 12.6% in 2002. The impact of this is that the number of people 65 and over will increase from 2.48 million in 2002 to an estimated 4.44 million in 2021, a 79% increase. By 2051 the ABS forecasts indicate that 27.1% or 7.16m people will be over 65 years of age, an increase of 189% when compared to the number in 2002. Such dramatic increases will affect all aspects of the economy, including the transport industry.

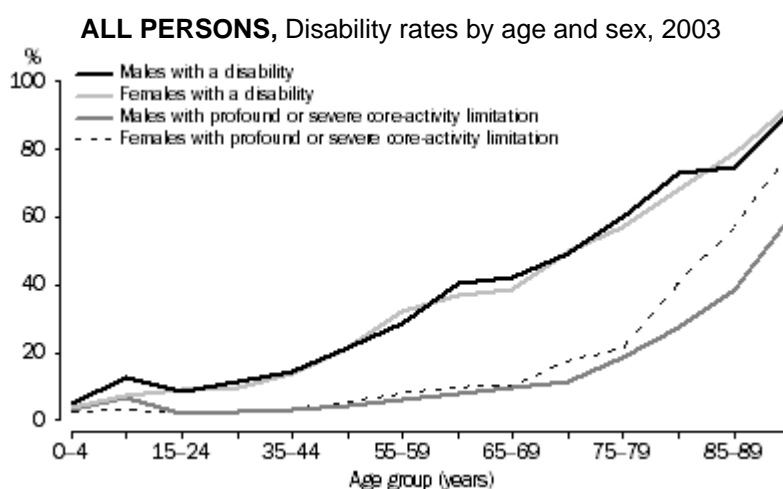
In the US, studies have indicated that there is strong evidence to indicate that with more experience taxis and other for-hire firms could become the preferred providers for elderly transport services. Taxis have been identified as the least objectionable of the available transport options. The most frequently cited problem with taxis by people aged 50 and over is the cost of the ride. However it is interesting to note that surveys have indicated that the percentage of older people identifying cost as a issue declines with age.

Several communities in the UK and Canada have been able to reduce passengers costs by sharing these expenses with health insurers, employers and local and national social service agencies. Given the Australian Government’s desire to assist in helping the

elderly to continue to live independently in their own home environment for as long as possible, the taxi industry should view this as an opportunity to work with relevant public and private sector agencies/groups to assist in servicing the public transport needs of the elderly. To some degree this already occurs in some regions in the case of specific classes of disabled persons.

With respect to the disabled, 20% of the population reported a disability in 2003, with 86% (3.39 million) being limited in core activities, including mobility. As Figure 6.1 indicates, rates of disability in the population increase dramatically with age.

<sup>15</sup>Figure 6.1



It is clear that with a rapidly ageing population and the increased disability rates associated with age, the demand for transport services for the disabled will increase.

One approach to the transportation of the disabled<sup>16, 17</sup> has been introduced in Edinburgh, Scotland where transport officials realized that it was not always necessary to have vehicles capable of transporting wheelchairs and motorised carts as long as these were available at the destination. Outside of Edinburgh, where taxi volumes could not justify the 100 per cent wheelchair accessibility mandated for the City Centre, it was determined that it was cheaper and more efficient to subsidise the purchase of wheelchairs and motorised carts by locations frequented by the disabled and elderly than to equip taxis. Such locations include shopping centres, malls, entertainment centres etc.

Edinburgh achieved 100 per cent compliance in wheelchair accessible taxis in the City Centre area with the process being completely self-financed through a *Taxicard*, program operated by the regional government. This program operates with disabled citizens obtaining a *Taxicard*, a concessionary fare scheme that gives reduced rates for disabled people. The scheme provides a discount of up to £3.00 per trip for a maximum of 104

<sup>15</sup> Source: ABS Publication No. 4430.0 Disability, Ageing and Carers, Australia: Summary of Findings. (2004).

<sup>16</sup> [www.Edinburgh.gov.uk/CEC/City\\_Development/Transport\\_and\\_Communications/Transport\\_Guide\\_for\\_People\\_withDisabilities/taxi.html](http://www.Edinburgh.gov.uk/CEC/City_Development/Transport_and_Communications/Transport_Guide_for_People_withDisabilities/taxi.html).

<sup>17</sup> Referenced in the TLPA report (Footnote 1).



single trips per year. The *Taxicard* system obtains financial support from various sources, including the National Health System. As the TLPA report states:

‘The result is a flexible response that engages taxis, private hire cars and public transportation facilities that have expanded door-to-door service to the disabled without crippling regulations or public sector takeovers.’

The *Taxicard* program has been replicated in the Canadian province of Quebec with similar success.

All Australian state and territory governments have, over a period of years, attempted to address the issue of public and private transport for the disabled and the elderly, including transport subsidy schemes. These schemes appear to be variable in nature (between different states/territories), to be regularly under review and can be expected to continue to be so as the demand for such services increases. Community passenger networks have been developed in partnership with many Home and Community Care programs, including some community organisations providing community buses to central points in metropolitan areas. There is a significant amount of information relating to the different schemes<sup>18</sup> which will not be pursued here since it is more at a micro level (than at the macro level towards which this report is directed). What is evident is that the supply of transport services for the aged and the disabled needs to be constantly reviewed by government agencies to take account of the changing needs of an ageing population.

In a background paper presented to the Community and Disability Services Minister’s Conference on 28 July 2004<sup>19</sup>, in recognising transport issues it was stated:

‘It is likely that the main impact on transport infrastructure will be an increase in the number of older people driving or needing to use general public or community transport to get them to the doctor or other service. Our transport system will need to be managed to ensure that it meets the range of diverse needs that older people will have. Not all older people will have disabilities, but some need specific design and accessibility considerations to cater for their varied needs. The costs of transport .... and even taxi fares will influence transport options and usage. .... Taxi subsidy schemes for people with disabilities, including age related disabilities, are also well established.’

While some taxi subsidy schemes may be well established, for example in the case of transport schemes for war veterans, there is a growing demand for transport needs currently supplied by nonprofit service providers, including home and community care (HACC) services.

In the case of eligible taxi transport for war veterans, the provision of contracts by Government to supply taxi services on a ‘door through door’ basis, (whereby taxi drivers deliver customers to admissions desks at hospitals and reception desks at doctor’s surgeries etc, if required) is a direction for the future. The industry must be prepared to move into offering services such as this since the increase in demand for this type of

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<sup>18</sup> See for example the terms of reference for the formal assessment of the Access Taxi Cabs System in South Australia. [www.adelaidemetro.com.au/general/accesscab.html](http://www.adelaidemetro.com.au/general/accesscab.html) .

<sup>19</sup> [www.health.gov.au/internet/wcms/publishing.nsf/Content/2C1B48A0B980486ACA25708A00138A8D/\\$File/afbe.pdf](http://www.health.gov.au/internet/wcms/publishing.nsf/Content/2C1B48A0B980486ACA25708A00138A8D/$File/afbe.pdf) .

service will be significant as a result of the age profile of the post war baby boomers. That is, in addition to a basic service, taxi drivers must be trained for, and be prepared to supply, value added services when required to do so, in addition to the basic 'door to door' service.

In the case of nonprofit providers, there is evidence which indicates that many of these providers, while initially created to serve a specific clientele, seek out additional clients in an attempt to maximize the use of capacity. The consequent additional servicing begins to absorb other rides for which the for-hire provider would be competitive if the nonprofit provider was required to charge similar rates.

If nonprofit providers (subsidised by government or other agencies) do not charge the passenger directly, or charge a significantly reduced fare determined by individual customers financial circumstances, and the true cost of the ride can be absorbed elsewhere, nonprofit transportation providers have the ability to erode taxi members core customers. A major concern for the taxi industry is preserving the private for hire market against encroachment from nonprofit providers and subsidised public transport agencies, particularly in the case of involuntary taxi users.

Given the implications of the significant increase in the aged population and the associated increase in the demand for disabled services (as has been identified in this report), current subsidised taxi fare schemes should be closely monitored and regularly reviewed with appropriate government agencies. The effects of the changing demographic profile of the population will require this, particularly given government policies encouraging older members of the population to live at home for as long as possible.

The taxi industry should aim to preserve, and indeed increase, the private, for hire market against encroachment from public transport agencies and non-profit providers, particularly in the case of servicing the increasing market for the ageing and disabled. Based on the direction overseas experiences have reported, together with local problems identified in particular regions of Australia in the case of WATs, there would appear to be opportunities for the taxi industry to work in with Governments and social service providers to service this expanding market.

## **7. Public Transport Issues**

State and territory governments, have in the past been prepared to heavily subsidise public transport bus and train services and not for profit providers (such as HACC agencies), leaving little incentive for local transport planners to financially support private for-hire providers. Historically there has been, in many jurisdictions, a desire by public transport agencies and nonprofit providers to prevent encroachment on their services, even when it is financially advantageous to do so.

One example of such a situation is the efficient servicing of late night bus routes, when patronage is low. In such situations it would be cost effective for taxis to replace the buses on such routes and supply a demand responsive transport service on a subsidised basis. This can be much more cost effective than running a bus around a fixed route for one or two passengers.

A second example is that of agencies receiving government grants to supply services (such as HACC) and who have invested significant amounts of capital in purchasing appropriate vehicles to services the needs of the elderly for a limited period each day. The vehicles often tend to be significantly underutilised making the services provided cost inefficient. In many of these situations it would be more cost effective for taxis to supply these services on a subsidised fare basis. Currently some Government agencies do let a number of such contracts ( eg Veterans Affairs) but these are extremely limited. The potential for public and private sector agencies to work in with the taxi industry in individual jurisdictions to supply cost effective subsidised value added services has considerable potential, and would be more cost effective.

The taxi industry, in looking to the future, should be working in with these agencies and providers to develop sharing arrangements for the supply of demand responsive transport services which would benefit the travelling public and reduce the financial burden of the current public transport systems throughout Australia. In many cases this would require further driver training and in many situations the supply of 'door through door' services. Rather than continue to supply a 'basic' taxi product, the industry should be looking to negotiate the supply of value-added services, including door through door services, particularly given the impact of the ageing population into the future.

## **8. Government Policy**

While the taxi industry has always been subject to relevant local, state and territory government policies with respect to their operation, since 1998 there has been an enormous amount of energy, time and funding directed at conducting reviews to address the issues which had to be identified as a result of the introduction of the National Competition Policy (NCP). The desire to achieve the deregulation of the number of taxis operating in the industry came under particular scrutiny.

While NCP stipulated that any review recommendations relating to deregulation of entry into the taxi market should take into account public benefit issues, most reviews did not do so and consequently produced flawed recommendations in that they ignored social outcomes. It is of interest to note that reviews tended not to recommend full deregulation, but only limited deregulation of entry into the taxi market. The Northern Territory (NT) was the one jurisdiction where the Government fully deregulated entry. The impact of this was significant in many respects, particularly with respect to its impact on public benefit and social issues. Indeed the declining quality of both drivers and the service they provided, combined with passenger and vehicle safety issues and declining revenue (as a result of a significant increase in the number of taxi licence plates issued) all resulted in the NT Government re-introducing controls over the number of taxi plates issued, as well as driver, vehicle and service standards.

Leading up to the most recent Federal election at the end of 2004, both of the major political parties indicated they would remove the funding attached to outcomes from the annual assessment of the implementation of NCP. The annual NCP assessment<sup>20</sup>

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<sup>20</sup> See [www.ncp.gov.au](http://www.ncp.gov.au)

released in December 2005 was the final such assessment under the current NCP arrangements.

In that assessment a number of states/territories were reported not to have fulfilled their NCP obligations with respect to NCP. These included South Australia, the ACT, Queensland, New South Wales and the Northern Territory. The Council of Australian Governments is currently undertaking a review of NCP, including the NCC's assessment role.

While the immediate threat of deregulation of entry into the industry appears to have diminished into the foreseeable future, the Productivity Commission issued a report 'Review of National Competition Policy Arrangements'<sup>21</sup> in April 2005. In that report the Commission recognised, amongst others, arguments put forward by the ATIA and others and reported that

'...the progressing of worthwhile reform in the taxi industry has proved more of a challenge than many first envisaged. However, in the Commission's view, this does not obviate the need for further reform.' (page 230). As a way forward the Commission proposes that a menu for reform might encompass, amongst other things, 'genuine reform of the taxi sector, drawing on experiences domestically and in overseas countries to avoid unintended consequences, and ensuring such reform is tailored to the circumstances of particular taxi markets.' (page 231).

The Productivity Commission concluded its analysis of the current state of the Australian passenger transport industry, including the taxi industry, by recommending (page 233):

'The Australian Government, in consultation with State and Territory governments, should commission an independent national review of the passenger transport sector, to assess the impacts of recent reforms and determine what is now required to deliver further performance improvements in both urban and regional areas.'

While this recommendation has not as yet been implemented, individual states/territories remain active in considering changes to the taxis industries for which they have responsibilities.

There has recently been an interest in innovative programs being considered for the provision of flexible and efficient demand responsive transport services. As an example, a Bill has recently been prepared for introduction into the ACT Legislative Assembly aimed at the supply of specific demand responsive transport services in the ACT. This Bill allows for the issuing of a service contract which allows for the right to operate a demand responsive service and also allows for it to be an exclusive right to operate this service, or a demand responsive service operated in a particular way, along a particular route or in a particular area. As it stands this Bill is vague with respect to what it means by a demand responsive transport service. Without any associated draft regulations yet being issued to clarify the Bill it could be seen as a threat into the future, given the nature on the ACT taxi and hire car industry. Other states, including New South Wales, are also considering further reforms/changes in the taxi industry.

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<sup>21</sup> See [www.pc.gov.au/inquiry/ncp/index.html](http://www.pc.gov.au/inquiry/ncp/index.html)

There is little doubt that the Australian taxi industry will continue to be very much a dynamic industry subject to ongoing change, with changes being proposed by the industry itself, by relevant governments, or by both working together.

## **9. Conclusion**

The real, and potential, changes identified in this report which have, and will, impact on the taxi industry will undoubtedly offer challenges and real opportunities. The impact of technology on communications will result in increasing acceptance of teleworking and teleconferencing in the workplace which is becoming increasingly global in nature. These, together with social changes, and demographic shifts as a result of the effect of the post war baby boomers moving into retirement, will impact on the type of demand for taxi services, particularly in the case of the aged and disabled.

Governments have recognised the impact of world events on tourism and the flow-on effects on the economy, with relevant agencies undertaking research to address issues of relevance to the international and domestic tourism markets.

As has been identified, local, state/territory and Federal government agencies are continually monitoring the taxi industry to meet perceived demand from the public and private sectors. The taxi industry, through its representative associations/organisations, has responded in a significant manner to support its members and will undoubtedly do so into the future. It has addressed issues and has made an impact on outcomes through submissions to enquiries and working with relevant government agencies to implement change when it is required.

There is no doubt that there will be ongoing changes impacting on the taxi industry into the future and which will need to be addressed. These include:

- recognising that the industry must offer more than just a basic product and work towards capturing increased market share with premium or value added products such as door through door services;
- working with agencies to gain access to markets currently not generally available, including those serviced by not for profit organisations; and
- working with other groups to lobby government to provide more cost effective and better quality services by working in conjunction with public transport (bus and train) systems which are heavily subsidised. This could involve the supply of cost effective (out of hours/late night) demand responsive transport services.

This report has identified that technological change, terrorism and the ageing of the population will change the type of service required from the taxi industry in the future. The industry and its representative associations/organisations will have a major role to play in the implementation of changes which will be required to service this changing market for taxi services. They must be proactive in working with other groups, including community groups and public transport providers to lobby government to offer value added services which are demand responsive, cost effective and seen as a premium service rather than a standard taxi service.

## **10. Acknowledgement**

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