

24 July 2009

Ms Naomi Bleaser  
Committee Secretary  
Senate Select Committee on Fuel and Energy  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Email: [fuelenergy.sen@aph.gov.au](mailto:fuelenergy.sen@aph.gov.au)

Dear Ms Bleaser

**RE: FUEL AND ENERGY INQUIRY**

Please find attached the Australian Taxi Industry Association's (ATIA) submission in relation to the inquiry by the Senate Select Committee on Fuel and Energy (the Senate Committee) into the impact of higher petroleum, diesel and gas prices and related matters.

The ATIA would welcome the opportunity to discuss any of the matters raised in its submission with members of the Senate Committee.

The ATIA has no objection to its submission being made publicly available on the Senate Committee's website.

Should you require any further information or clarification in regard to this letter or its attachment please do not hesitate to contact me directly on (07) 3847 3711

Yours sincerely



Blair Davies  
Chief Executive Officer

## **1. Introduction - the Australian Taxi Industry Association**

The Australian Taxi Industry Association<sup>1</sup> (ATIA) has as part of its mission the important role of being, “*an effective voice articulating the Australian Taxi Industry's position*” particularly on matters of national consequence. Further, its mission statement recognises the ATIA must work “*with the Federal Government and its agencies to find workable solutions to legislative regulatory and policy matters.*”

The ATIA's membership includes the following peak State / Territory taxi industry representative bodies –

- New South Wales Taxi Council;
- Victorian Taxi Association;
- Taxi Council of Queensland;
- Taxi Council of Western Australia;
- Taxi Council of South Australia;
- Taxi Council of the Northern Territory; and
- Canberra Taxi Industry Association.

The ATIA has a significant history of being pro-active in many areas of public policy debate relevant to its membership, as its website indicates<sup>1</sup>. The purpose of this submission is to articulate the taxi industry's considerable interest in the pricing of automotive fuels in Australia.

The Australian taxi industry plays a unique and pivotal role in the overall public transport system. Taxis operate on-demand, 24 hours a day, 365 days a year, offering door-to-door transportation services. Each year, our 18,000+ taxis will collectively travel almost 3,000 million kilometres while moving over 375 million passengers. The industry directly provides gainful work and business opportunities for more than 60,000 people. Taxis play a major role in servicing the needs of the community in general and key sections of the community in particular. These include

- the elderly;
- people with disabilities;
- the young or vulnerable;
- disadvantaged socio economic groups: and
- business travellers.

In rural Australia, taxis are often the only form of public passenger transport available. This is also effectively true for many fringe suburbs and the conurbations surrounding major cities where low density development contributes to chronic under-servicing by mass transit (bus and rail) public transport options.

Taxis are quite literally for many Australians, at some time or other, an essential service that must remain both available and affordable. The characteristics of Australia's urban form(s) and the aging of the population will likely see this reliance on taxis increase in the future.

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<sup>1</sup> See [www.atia.com.au](http://www.atia.com.au)

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The ATIA has always been forward looking in its outlook on issues of public policy affecting its constituents, and will continue to be so. Consequently it sees itself as being well able to make the following contribution to the Senate Select Committee for Fuel and Energy's inquiry into higher petroleum, diesel and gas prices and related matters. For the Committee's convenience, and consistent with the inquiry terms of reference, we have structured our comments under the following section headings –

- i. the impact of higher fuel and energy prices;
- ii. the role and activities of the Petrol Commissioner and the operation of domestic energy markets;
- iii. the impact of an emissions trading scheme on the fuel and energy industry;
- iv. taxation arrangements on fuel and energy products;
- v. the role of alternative automotive fuels; and
- vi. the impact of higher fuel prices on public transport systems.

In this submission the following acronyms will be used –

ATIA: Australian Taxi Industry Association

ETS: emissions trading scheme

LPG: liquefied petroleum gas

PMV: private motor vehicle

PT: public transport

PPT: public passenger transport

## **2. The impact of higher fuel and energy prices**

State and Territory governments regulate the maximum prices (fares) that taxis can charge for their services. Most, if not all, of these taxi regulators review and set taxi fares using some form of (input) cost model that, explicitly or implicitly, incorporates movements in fuel prices.

Accordingly, higher fuel prices will almost inevitably lead to higher taxi fares (for any given journey). Higher taxi fares impact different segments of the industry's customer base differentially. Customers on low incomes or with disability are often impacted more severely by fare increases than other customers. This is certainly the case where they treat taxi travel as a non-discretionary (unavoidable) expense and/or where they do not have access to alternate (substitute) travel options.

Higher fuel prices also adversely affect taxi operators and/or taxi drivers depending on whoever is responsible for paying for fuel. The cost models used by regulators to review and set taxi fares typically use historical (rather than forecast) data. Accordingly, taxi operators and/or drivers are often left to absorb the burden of higher fuel prices for months pending redress at the next fare review. As small business owners, taxi operators and drivers can find that the lag between fuel price increases and subsequent adjustments in regulated fares results in considerable strain on their business viability.

### **3. The role and activities of the Petrol Commissioner**

The Petrol Commissioner and the ACCC (Australian Competition & Consumer Commission) do not appear to have been particularly effective in their oversight of domestic markets for automotive fuels.

The ATIA provided the following advice on 28 July 2006 to the Senate Economics Legislation Committee's inquiry into the price of petrol in Australia.

- i. The ATIA remains to be convinced that some oil industry participants are not using upward price movements in world oil prices to disguise opportunistic price gouging in the domestic retail market. In particular, the impact of upward movements in world oil prices appears to be more immediate and extensive than occurs in the event of downward movements.*
- ii. A number of our constituents operate service stations that retail fuel and related products. We are advised that some oil industry participants may at times favour their own retail establishments to the competitive detriment(s) of other affiliated establishments. It would be a very great concern to the ATIA if the number of independent retail establishments were to diminish much further.*
- iii. Any increase to the current extent of vertical integration would be a matter of concern. It would be the ATIA's view that a strong presence of independent retailers serves to promote competitive pricing for the benefit of all consumers.*
- iv. The trend to volatile pricing in capital cities, especially where it is based on particular days of the week, is especially frustrating and nonsensical from the perspective of an industry such as ours that purchases fuel on a daily basis. The taxi industry has little capacity to avoid purchasing fuel on high price days. Similarly, the tendency for regional areas to typically miss out on competitive discounting is also disappointing for taxi operators in those areas.*

Some three (3) years on, none of these concerns has materially diminished. The ATIA remains unconvinced that domestic energy markets operate without significant distortions that favour suppliers and disadvantage consumers.

### **4. The impact of an emissions trading scheme on the fuel and energy industry**

The ATIA in its submission in relation to the Commonwealth Government's Carbon Pollution Reduction Scheme Green Paper advocated for an emissions trading scheme (ETS) that would -

- avoid any impairment or disruption to the (pre-existing) price competitiveness of LPG vis-à-vis ULP or diesel,*
- promote the expanded use of public transport, including taxis, with a view to reducing the Australia's unsustainable use of, and dependence on, private vehicles for passenger transits, and*
- encourage and assist the taxi industry's transition to more efficient and appropriate technologies, including hybrid and fully electric sedans as well as low emission wheelchair accessible vehicles.*

The ATIA holds significant concerns that an ETS, as currently proposed, may not satisfy these requirements. If the ETS that is ultimately implemented adversely affects the price competitiveness of LPG vis-à-vis petroleum or diesel it will likely cause major change(s) to taxi operators' vehicle acquisition and retention strategies. This would then in turn have major deleterious consequences for LPG suppliers.

## **5. Taxation arrangements on fuel and energy products**

The ATIA would encourage the Commonwealth government to give consideration to offering Public Passenger Transport (PPT), and the taxi industry in particular, meaningful incentives and assistance in relation to –

- the adoption of cleaner, more climate change friendly technology; and
- the provision of wheelchair accessible services.

In the capital and larger regional cities, more than 85% of the taxi fleet use LPG. Importantly, the taxi industry's adoption of LPG technology demonstrates the influence and effectiveness of Commonwealth government taxation interventions. The taxi industry responded favourably and strongly to the price advantage afforded to LPG by its excise exemption. This in turn provided the LPG industry with an initial critical mass of demand that it successfully leveraged to attract the necessary investment for the rollout of infrastructure and outlets to support development of other market segments.

The Western Australian and Victorian State governments have recently taken the first steps in promoting the use of hybrid vehicles in the Perth and Melbourne taxi fleets. In regional Australia, where the supply and pricing of LPG is less competitive, there has been an evident trend to use smaller engine vehicles, and more recently, to trial petrol / electric hybrid vehicles. As a case in point, hybrid vehicles currently comprise approximately 25% of the taxis in regional cities such as Cairns and Townsville.

Given the taxi industry's demonstrated responsiveness to financial incentives, the ATIA would strongly encourage the Commonwealth government to consider implementing the following measures as part of its overall strategy for addressing sustainability and climate change –

- totally (or partially) exempting hybrid (and other fuel efficient) vehicles going into service as taxis from import duty and the GST;
- offering incentives for vehicle manufacturers to expand their product range to include more suitable hybrid (and other fuel efficient) vehicles for use as taxis;
- totally (or partially) exempting in-service hybrid (and other fuel efficient) taxis from any fuel excise.

Similarly, in relation to wheelchair accessible vehicles, it is the ATIA's view that the Commonwealth government should actively support the objectives of its Disability Discrimination Act and Disability Standards for Accessible Transport legislation by introducing measures such as –

- totally (or partially) exempting vehicles being converted for use as Wheelchair Accessible Taxis from import duty and the GST;

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- totally (or partially) exempting in-service Wheelchair Accessible Taxis from the fuel excise.

As a final comment, the ATIA would recommend that the Commonwealth government review the tax advantages associated with inclusion of private usage of company vehicle in salary packages. The private and public sector should be encouraged to substitute PPT options for PMV (Private Motor Vehicle) arrangements through tax attractive salary packaging of train, tram, bus, ferry and taxi fares.

## **6. The role of alternative automotive fuels**

The taxi industry in Australia made a major step in 'going green' many years ago when most city based taxi fleets moved to operating on dedicated liquid petroleum gas (LPG) or dual LPG/petrol fuelled vehicles. The ATIA estimates that over 15,000 (or 85%) of the 18,000+ taxis currently operate on LPG. More recently, many taxi operators have begun trialling the use of petrol/electric hybrid vehicles. Early results of these trials appear positive in terms of daily operating costs. However, it remains to be demonstrated whether such savings can adequately compensate operators for the higher capital (acquisition) and repair cost associated with these vehicles.

As noted above, the taxi industry first converted to using LPG largely because it was exempt from excise tax. This resulted in LPG retail (pump) prices typically being about 50% of the equivalent petroleum price. Even after taking account of the lower energy content of LPG (approximately 77% of petroleum or diesel), running taxis on LPG produced significantly lower operating costs.

In addition to lowering operating costs, LPG has the following benefits over petroleum and diesel:

- Emissions of the two most harmful vehicle pollutants (PM and NOx) are greatly reduced.
- Net hydrocarbon emissions are ten times lower than comparable petroleum vehicles.
- Health cost impacts are much lower than diesel and petroleum.
- Greenhouse gas emissions are 12%-14% lower than petroleum automobiles, and life-cycle greenhouse emissions are arguably lower than diesel, particularly using the latest LPG fuel management systems.

Importantly, while the LPG taxi fleet comprises only 2.5% of the total stock of 600,000 LPG vehicles in Australia it accounts for approximately 20% of LPG (Autogas) sales. As a consequence, the taxi industry has had a very significant impact on the development of LPG sales in Australia. Globally, LPG is typically used for heating and industrial purposes with less than 10% being consumed by the transport sector. However, in Australia, the widespread (and early) use of LPG by taxis encouraged and supported the widespread rollout of Autogas availability at retail fuel outlets. In 2008, approximately 50% of retail fuel outlets sell LPG alongside diesel and petroleum and 60% of Australia's domestic consumption of LPG is sold to the transport sector as Autogas.

The Australian taxi industry has been proactive in reducing its carbon footprint, originally as an early adopter, and now as a mature entrenched user of LPG in its



capital and larger city based fleets. This greening of the taxi industry resulted from taxi operators making prudent commercial decisions in the context of appropriately conducive market conditions (e.g. excise tax exempt pricing).

The ATIA would encourage the Commonwealth government to continue its support for alternative sources of energy and to partner with the taxi industry in bringing innovative technologies to the Australian market. In regard to the latter, the ATIA would be particularly interested in the early introduction of fully electric vehicles and LPG/electric hybrid vehicles.

## **7. The Impact of higher fuel prices on public transport systems**

It is the view of the ATIA that –

- Australians are far too reliant on private motor vehicles (PMVs) for passenger transportation; and
- this over reliance on, and preference for, PMVs is unsustainable when full and proper account is taken of PMVs' respectively greater inefficiency in respect of –
  - i. carbon and other pollution;
  - ii. traffic congestion and lost time;
  - iii. on street and off street parking;
  - iv. death and injury from motor vehicle crashes.

The Commonwealth government, historically, has been overly preoccupied with freight transport – virtually ignoring (land) passenger transport. Accordingly, PPT planning has developed differentially in each of the States and Territories, albeit with some common focus on mass transit services targeting –

- peak hour transits along radial corridors surrounding central and satellite commercial nodes (e.g. CBDs);
- student travel; and
- travel by passengers without private transport options (e.g. unlicensed persons, people with disability, the socially disadvantaged etc).

As a consequence, the development and market penetration of PPT has been constrained by an underinvestment in necessary infrastructure by respective State / Territory governments. Regrettably, in the absence of Commonwealth guidance and funding, many State / Territory governments –

- adopted silo strategies when planning for PPT modes;
- viewed PPT services as commercially unviable and a cost to the public purse that must be constrained and minimised; and
- allowed unrestrained urban development, inconsistent with the efficient provision of PPT services.

It would be the ATIA's view that constraints on the supply of PPT services have seriously impeded their ability to compete with PMVs. Addressing these supply constraints would be expected to greatly increase the respective market share of PPT services vis-à-vis PMVs. Any Commonwealth intervention in the provision of

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PPT infrastructure and services should be directed to repositioning PPT in the Australian market place as an integrated, whole of journey service offering that competes broadly with, and substitutes for, PMVs.

The ATIA holds the view that multi-modal PPT services can be efficiently presented as –

- timely (operate when the travel is required);
- affordable (competitively priced);
- convenient (facilitate end-to-end journeys);
- accessible (usable by users in the broad);
- clean (offer acceptable personal space within the public space); and
- efficient (economic in time and monetary terms).

Australia needs a paradigm shift to occur in the thinking of government passenger transport planners. The prevailing fragmented, single mode planning which pretends demand only needs to be satisfied between train stations or bus / tram stops must be challenged. Planning needs to re-focus on developing integrated, whole of journey (door-to-door) solutions – e.g. a shared service taxi to a train station, followed by a rail journey, and then a short comfortable walk to the destination.

The Australian taxi industry delivers services on a user pays basis with vehicles, equipment, dispatching facilities and associated infrastructure almost exclusively being funded from private sector investment sources. Interestingly, without subsidies or other assistance from public monies, the Australian taxi industry has been able to attain a position whereby it is widely acknowledged as a leading innovator and adopter of best practices in regard to –

- computer dispatch technology;
- credit & debit card transaction facilities;
- taximeter technology;
- taxi security camera systems; and
- wheelchair accessible taxi (WAT) services and vehicle conversions.

Government subsidies and support for PPT have historically been funnelled into mass transit services. Curiously, State / Territory regulators established a demarcation between scheduled mass transit services and on-demand taxi services which -

- promotes the eligibility of train, tram, bus and ferry service providers for government subsidies; but
- excludes taxi service providers from government subsidies.

It would be the ATIA's view that as a result of this modal myopia, PPT funding has been directed sub-optimally. In ignoring the inherent flexibility and demonstrated viability of taxi services, State / Territory Governments have wrongly assumed that -

- PPT cannot be profitable (or viable without subsidy);



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- low density services on mass transit routes must be subsidised (i.e. rather than transferred to other more efficient modes); and
- public funding of PPT services and infrastructure is a cost to be minimised rather than an investment to be optimised.

As a case in point, it would be the ATIA's contention that many of the low density services operating off peak, or in fringe suburban areas, where patronage is limited and irregular could be provided by local taxis far more efficiently than using near empty buses and trains running on infrequent schedules. The "Council Cab" service operating in Brisbane is a mature example of PPT modal flexibility (substituting taxis for buses) that produces significant cost savings while at the same time delivering improved service levels.

Higher fuel prices will provide impetus for behaviour modification by economic agents. Travellers can be expected to search for, and migrate to, more efficient and affordable transportation options. If capacity exists and the services are appropriately marketed, PPT journeys should increasingly be substituted for PMV journeys. For the long term good of both the economy and the environment, it will be important that PMV journeys migrate to PPT options that are comparably more efficient and sustainable. As a case in point, there is no advantage in one (1) or even a few passengers substituting travel on an otherwise empty bus (i.e. an otherwise non-existent service) in preference to a small to mid sized PMV – simply because bus fares are artificially cheaper because of their government subsidy. In such a case, it would be eminently superior for those passengers to share a fuel efficient taxi to a nodal destination (e.g. bus or train station) where they can be aggregated with sufficient other travellers to efficiently utilise a bus, tram or train for the further part of their journey.

## **8. Conclusion**

The ATIA welcomes the Senate Committee's inquiry into the impact of higher petroleum, diesel and gas prices and related matters.

Australia's current reliance on PMVs for passenger transportation is economically and environmentally unsustainable. Government intervention is required to help address this problem. However, the interventions need to be multi modal (rather than modally myopic) and need to be directed towards new and innovative –

- whole-of-journey PPT solutions;
- whole-of-community, accessible PPT solutions; and
- climate friendly, fuel efficient, sustainable PPT solutions.

The ATIA and the Australian taxi industry stand ready to work collaboratively with the Commonwealth government to develop and implement these solutions.