



Transport &  
Infrastructure

# Release of new annual taxi licences from 1 July 2010 ISSUES PAPER

1 March 2010



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# 1 Introduction

## Terms of reference

The NSW Government has announced the release of new taxi licences on an annual basis from 1 July 2010 (refer <http://www.transport.nsw.gov.au/taxireform>).

An analysis is being undertaken to consider the factors relevant to determining an appropriate number of taxi licences to issue in the Sydney Metropolitan Transport District (SMTD) for the year commencing 1 July 2010.

Under the *Passenger Transport Act 1990*, the Director-General must determine, by 31 March each year, the number of annual licences to be released from 1 July. The Director-General may seek public submissions before making a determination.

The purpose of this Issues Paper is to canvass the merit of various options for estimating the optimal growth in the taxi fleet, by identifying the key indicators of passenger demand for taxi services, and the key indicators of demand for taxi licences.

This Issues Paper has been prepared by PricewaterhouseCoopers on behalf of NSW Transport and Infrastructure (NSWTI) to obtain views of stakeholders on the most relevant factors to consider in determining the optimal number of licences to release for the year commencing 1 July 2010.

The questions in the Issues Paper have been prepared with the objective of assisting stakeholders in their written submissions.

## How to participate

Interested parties are invited to make written responses to the questions raised in this Issues Paper.

We would prefer to receive them by email:  
[taxilicence@transport.nsw.gov.au](mailto:taxilicence@transport.nsw.gov.au).

You can also send comments by fax to (02) 9268 2947, or by mail to:

Release of new annual taxi licences from 1 July 2010  
NSW Transport and Infrastructure  
GPO Box 1620  
Sydney NSW 2001

***Submissions will be received until 12.00pm (noon), Thursday 11 March 2010.***

## 2 Context to this Paper

Over the last few years the uptake of new licences has averaged around 1% per annum (and has mainly been in the form of WATs). This is because short-term licences previously available from the NSW Government had a pricing formula which was uncompetitive compared to leasing secondary market licences.<sup>1</sup>

Additionally, rentals for WATs in Sydney have been highly discounted by NSWTI at \$1,000 per annum to stimulate WAT uptake to improve response times for WAT passengers. Although WATs also perform standard taxi work, which increases the overall taxi market capacity, nonetheless the rate of taxi fleet growth has not kept pace with the growth in passenger demand for taxi services.

The reforms introduced by the Government represent a direct move towards encouraging taxi fleet growth as well as:

- ensuring that the supply of taxis responds more closely to growth in passenger demand;
- balancing the need for a more affordable means of entry into the taxi market with the need to avoid unreasonable impacts on existing licence holders;
- reducing barriers to entry and encouraging competition;
- placing downward pressure on fares over time; and
- simplifying existing taxi licence structures.

The reforms involve all future new taxi licences issued by the Government (in Sydney at this stage with extension to outer-metropolitan areas later), to be renewable, non-transferable annual licences for which an annual licence fee is payable.

The new supply-based model for Sydney requires the Director-General of NSWTI to determine the number of annual taxi licences (unrestricted, fringe and/or peak) except WATs to be released each year. (WATs will continue to be available on application to NSWTI.) In making this determination, the Director-General is to have regard to the following matters, as set out in section 32C(3) of the *Passenger Transport Act 1990*:

- likely passenger demand and latent demand for taxi services;
- performance of existing taxi services;

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<sup>1</sup> Notably, short-term licences were priced at 14% of current market transfer value to approximately \$1,100 per week, whereas average secondary market lease rates are around \$550 per week.

- demand for new taxi licences;
- viability and sustainability of the taxi industry; and
- any other matters that may be relevant.

The Director-General may also consider:

- making a certain number of licences available to authorised taxi drivers only;
- limiting the number of licences granted to the same applicant, to promote competition.

This Issues Paper focuses on the key indicators of passenger demand for taxi services, and the key indicators of demand for the new licences. The Paper also welcomes comments on the viability and sustainability of the taxi industry.

### 3 Key issue I: Indicators of passenger demand

Taxis operate in the wider passenger transport market which includes private hire cars, tourist vehicles, courtesy vans, rental cars etc. Therefore, identifying the factors fuelling passenger demand for taxi services will partly depend on the factors for the overall passenger transport market, as well as factors specific to the taxi market.

This means that the demand growth for taxi services likely includes induced demand; an increase in the number of taxis may reduce response times and increase availability more generally, and may encourage more people to consider taxis as a reliable transport option, thereby increasing overall patronage.

There have been previous estimates of the passenger demand growth for taxis. For example, long-term demand growth has been estimated at 3-5% per annum, assuming relative stability in the market shares of taxis, hire cars and tourist vehicles. However, actual fleet growth rate has been around 1% (and has mainly been in the form of WATs). In addition, taxi response times for standard taxi jobs slightly increased from 2004 to 2007.

Sydney has one of the highest rates of taxis per capita in Australia, as shown in the table below (data is at May 2009).

Jurisdiction	Taxis per '000 persons
Sydney	1.1
Melbourne	1.1
Brisbane	1.1
Perth	0.9
Adelaide	0.9

However, other states have announced reforms to boost the size of their taxi fleet. For example, Victoria released 600 peak licences over the six years to 2008, and announced the release of 200 conventional licences and 330 WAT licences later this year. From 2003 to 2007 in Western Australia, the Government increased its taxi fleet size by 25%, representing an annual growth rate of 6%. This compares to Sydney's fleet annual growth rate of less than 1%.

The recent release of 100 new taxi licences equates to an increase of less than 2% of the total taxi fleet in SMTD. This initial release was 8 times over-subscribed.

Taxi passenger demand in Sydney is generally assumed to be driven by factors such as:

- gross state product (as a measure of economic and business activity)
- average household income (as a measure of ability to afford higher costs of public transport)
- Sydney's adult population size (as a measure of the size of the total passenger market)
- employment and unemployment rate (as a measure of ability to spend on discretionary consumer goods and services)
- total number of passengers arriving and departing from Sydney Airport and peak waiting times at airport ranks (as a key generator of approximately 6-7%<sup>2</sup> of total taxi journeys in Sydney)
- number of domestic and international tourists (as a key generator of taxi trips)
- number of Sydney households with no vehicles and number of households without a second car (as a measure of reliance on public transport)
- the passenger growth, price, reliability, frequency and quality of train and bus services (as a measure of the competitiveness of other means of public transport)
- price differentials with hire cars (as a measure of the price competitiveness of hire cars)
- price differentials between taxis and tourist vehicles, airportlink and airport train service (as a measure of the price competitiveness of other passenger transport to the airport)
- performance of existing taxi services (availability, reliability, efficiency etc), indicated by measures such as:
  - trends in number of total jobs and number of network bookings
  - percentage of radio bookings with a waiting time of less than 15 minutes (peak and off-peak)
  - passenger journeys per taxi per day
  - average pick-up time
  - number of bookings where there are 'no cars available'
  - number of jobs completed by each taxi per day
  - number of complaints

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<sup>2</sup> As at 2007.

NSWTI seeks comments on the following points. In your opinion:

1. What is the relative importance of the above determinants of passenger demand?
2. Are there any other key indicators of passenger demand?
3. Do service quality or waiting time indicators, especially in peak times, suggest a need for more taxis?

## 4 Key issue II: Factors determining demand for licences

The new taxi licences can be held by any person or entity. They must be operated by an accredited taxi operator and driven by an authorised driver. It is noted that many taxi operators are also authorised drivers, although the extent to which they regularly drive the taxi varies.

It is generally considered that demand for taxi licences in Sydney may be driven by factors such as:

- unemployment rate (as the unemployment rate rises, interest in operating taxis as a small business opportunity increases)
- operator profitability/viability
- trends in number of taxi licences per operator
- income from occupations utilising similar skills, such as hire car operators, couriers, tourist vehicle businesses
- competition from alternative forms of transport, including hire cars, tourist vehicles, courtesy vans, rental cars etc
- regulatory certainty of the licence
- trends in actual pay-in levels vis-à-vis maximum pay-in levels
- taxi licence lease rates on the secondary market and the growth rate in the level of lease rates
- price of ordinary licences on the secondary market
- number of bids in prior NSWTI taxi licence tenders in relation to the number of licences released
- WAT lease rates, as WATs can also undertake considerable conventional taxi work
- indicators of number of leases available on the secondary market such as number of advertisements or size of waiting lists at networks to lease licences
- availability of drivers

NSWTI seeks comments on the following points. In your opinion:

4. What is the relative importance of the above determinants of demand for licences?
5. Are there any other key indicators of demand for licences?
6. Is there a backlog of latent demand requiring a larger issue in the next release to restore the supply and demand balance?

7. What is the current viability of the taxi industry and how will a release of new licences impact this?
8. Are there any parts of outer Sydney (fringe areas) where passenger demand has not been fully met?
9. Is there demand for existing and/or additional peak availability licences?
10. Are there any benefits of targeting particular groups (e.g. drivers) in the upcoming release of new taxi licences?

**FINAL NOTES:**

Please note that submissions are due by **12.00pm (noon), Thursday 11 March 2010**.

Submissions will be used in the preparation of a report to the Director-General regarding the appropriate number of annual taxi licences to be issued for the year commencing 1 July 2010.

Submissions will **not** be made public except as required by law, however, information provided in a submission may be used in the final report to the Director-General.

Please make it clear in your submission if you do not wish for information contained to be quoted or attributed to you / your organisation in the report to the Director-General.

Submissions will only be used for the express purpose as stated and in accordance with relevant privacy laws. The express permission of the author would be required for any other use.