

Taxi Fare Structure

The TWU has proposed a revision to the taxi fare and taxi fare structure which will have the effect of returning to drivers an average \$12.00 an hour for their input.

We have been asked to detail the methodology. Starting from the need to have a most common amount for "extras" that would fit most requirements, we set a \$1.00 meter entry. This makes correct meter entry for the most common toll, the Sydney Harbour Bridge, and also the Eastern Distributor. This gives a choice for the Radio Booking Fee of either \$1.00 or \$2.00.

We picked \$1.00 for the Radio Booking Fee with an offset on the Flagfall of 20c and a 75c Superannuation levy, which adjusted Flagfall to \$3.50. Of all components, anecdotally, it is flagfall that has the greatest impact on fare elasticity, unfortunately the fair recovery of a fixed per shift item is best achieved within this component.

Waiting Time was traditionally in a fixed relationship to the Distance Rate, cutting in when the vehicle travels at less than 22 kmp or is stopped and clicking over the rate of an equivalent 35 kph. The nexus was broken by decisions from IPART and TNSW that did not appreciate this relationship. We are seeking to reset Waiting Time in two stages; to 30kph this year and back to 35 kmp next year. This is reflected by a rate of 80 cents per minute or \$48.60 per hour.

That leaves Distance Rate as the balancing item. An increase from \$1.40 to \$1.60 per kilometer or 14% will have the calculated effect, assuming a 7 km average trip and 4.5 minutes of waiting time, of a \$19.00 average fare.

This is the fare required to return to the driver an earning rate of \$12.00 an hour.

IPART has, as within its terms of reference, the assessment of the costs of providing a taxi service. Ordinarily this would relate to the historical or existing cost structure, and would not be a forward view of the 'what if' effects. However, for the taxi industry, where the driver essentially gets what is left over from fare revenue after providing for the operators costs through bailment fees, after fuel and wash, after his own business expenses and GST payable; the traditional approach is inappropriate.

By only looking at the actual or historical cost in relation to what is now described as Notional Drivers Wages, and gratuitously applying an Average Weekly Earnings increase rate, the Taxi Driver will never get out of the hole of an unfair share, or an unreasonable 'wage'. The very fact that this item is counted as 36% of total weighted costs, when the Taxi Drivers Contract Determination specifies a 50% split of fares to the Driver, reinforces the error of this approach.

IPART must also take into account the social impact of the recommendations, as they impact on Drivers. We remind IPART that over 80% of the 60,000,000 taxi trips a year are driven by Bailee Taxi Drivers and that over 60% of cabs in Sydney are driven exclusively by drivers from a base of two or more cabs. 90% of all drivers are Bailee Drivers.

Because of the very weak bargaining position of drivers, locked so often in a job of last resort, and under the dominance of a monopolistic industry, drivers do not achieve 'wage justice'. With the peculiarities of the bailee / bailor structure rather than an employee / employer structure, not even the Industrial Relations Commission can set "wages". All the IRC can do is split the fares recommended by IPART.

IPART has, by default, a de facto wage setting role.

And the industry, whilst having 4700 cabs spread over 6500 operators, is in fact under monopoly control. All the operators must be members of the Taxi Industry Association, and the TIA is a junior member of the Taxi Council, controlled numerically by the Networks, chiefly Combined Communications Network and Premier. CCN is owned by Cabcharge, the largest single beneficiary of any fare increase, by virtue of its monopoly control of credit transactions on cabs.

A monopoly control actually sanctioned by the ACCC with a special exemption from the Trade Practices Act. Incredible but true !!!

And the operators are legally bound to follow, support and endorse the policies of the Taxi Council. They are not independent.

Taxi Drivers, by contrast are unorganized, fiercely independent and articulate.

Surely IPART, in recognizing the legitimacy of the expectation of operators to obtain revenue that recovers their operating costs and a market level of return on capital, and its own obligation to consider appropriate fare levels, must go fully into its terms of reference. In the past it has stopped at the point of the operator's operating costs and not gone to the total costs of operating a taxi. Fares go to cover all the costs; the operator's costs are covered by the bailment fees paid by the driver, who must then still pay for the several other remaining costs of operation from fares received. The last of which is the Drivers Wage. It is lousy but not notional.

IPART must therefore also consider appropriate fare levels that provide for drivers to obtain a living wage for their necessary inputs. Our proposals would approximate to a \$12.00 an hour rate, close to the National Minimum Wage but still below comparable workers. The "left overs" approach is unacceptable in 2003.

Michael Jools

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