

Taxi Costs- A Summation

The TC has adopted a single cab model on the basis that 76% of Operators operate a single cab. However, for the 6548 accredited operators who pay \$260 a year to TNSW the correct figure is 40%. Moreover those single cab operators only account for 42 % of all cabs. Over half are operated by operators' with two or more cabs. Indeed, 31% of all cabs are operated by one percent of all the operators. We need two models.

We need two models also because the great difference in component costs between the two models. The 1999 IPART Inquiry was give evidence by the TC that a single cab costs between \$50,000 and \$60,000 a year and a base cab costs between \$44,000 and \$53,000. Now we are told that a single cab costs \$78,000. With or without the insertion of Plate Lease Fees of \$20,000, the numbers are a worry, and the model should not be compressed and distorted into one unrepresentative construct.

There are also problems with the quantum of items that make up the model. We appreciate that for a cost index, it is the movement over time that is relevant, but to establish appropriate weightings, the initial quantum of items must reflect reality. At its simplest , the TC says a cab costs the operator \$98,000 a year when the reality is that it costs a single cab operator \$51,000 plus \$20,000 plate Lease Fees and a base cab costs \$70,000 including Plate Lease. The totals are much the same but the components are quite different. We need an independently arrived at and verifiable models

And the maximum revenue obtained from bailment, which is the primary source of the Operators income is \$71,000 for a cab on a 47 week 5day / 6 night cycle and a theoretical \$92,000 for a cab on a 52 week 6 day /7 night cycle.

There is simply no way that cabs would be operated at a loss of up to \$27,000 a year while at the same time paying \$400 a week lease fees or \$300,000 for the plates. Taxi fares cannot be assessed on a cost structure so greatly in excess of revenue. The TC figures must be validated.

The conclusion remains that the revenue from Fixed Pay Ins covers the Operator's operating costs on a 47 week cycle.

If he actually owns the Plates the Licensee / Operator / Driver obtains the [opportunity] cost of the plates which is \$20,000 a year.

If he is a Lessee / Operator / Driver he only makes money from driving, and from bailing out his cab. Therefore he drives for more than 47 weeks a year.

If the Operator manages a base of several cabs, and leases the plates, he breaks even if the cabs are on the road 47 weeks, and can obtain a return of up to \$22,000 a cab if the cabs are on the road 52 weeks 6+7 shifts.

And irrespective of returns to the Operator, the Taxi Driver gets less than \$9.00 an hour.

We have difficulty also with the consideration given thus far to other Taxi Driver Expenses, and with the absence of revenue from fares as a factor.

Fuel costs are related to fuel usage economy, kilometers driven and price per litre. What are the assumed variables? We have submitted data on fuel usage that indicates an average of 4 kms per litre. If average trip length is now 7 kms rather than 10 kms, what is the impact on average kilometers per year? With a variation from 32.9c to 59.9c within the year and spikes of up to 15c within a week what is the average price per litre?

Where is the accounting for GST payable by the driver as a reduction to the already miserable left over he now gets as his "share" of the fare ?

Where is the accounting for the driver's business expenses payable by the driver as a reduction to the already miserable left over he now gets as his "share" of the fare ? Even the Tax Office counts the driver as a business entitled to deduction of expenses; so also must IPART.

The major issue is with the Drivers Notional Wage.

Historically and absurdly this is assumed to be 40% of the operators operating costs, and has the nicety of a AWE percentile annual add on. NSW Industrial law says that the driver gets 50% of fares as his share. The Fixed Pay Ins were purportedly supposed to reflect that share; now IPART would assess fares based on only a 36% share of costs going to drivers.

Revenue from fares still doesn't rate a mention.

If we were to pursue the fantasy of opportunity costs of the Operators Salary Equivalent and 'cost' drivers at their Award rate of \$14.75 an hour [the downtime and sick pay rate] and assume a 40 hour week with overtime rates applying for excess hours, a 5+6 shift cab has a \$2000 a week wage bill and a 6 +7 shift cab some \$2500 a week. We go therefore to fantasyland with total costs of \$230,000 a year. No joy in that approach.

The problem is that, with drivers getting the left overs after paying for bailment, fuel and wash, GST and his own expenses, the retention that is his sole income actually diminishes as other costs increase and fares stay constant.

There is logically no current justification for a fare increase on the driver's retention component because it has actually gone down as a cost. The Taxi Driver is 'logically' in a downward spiral of ever decreasing returns, and all he gets is an AWE pittance on an unfair share.

That is why we urge IPART to look forward to a fare structure that provides the Driver with at least, for 2003, an average hourly rate equivalent to the National Minimum Wage. \$12.00 an hour.

It is not an assessment based on historical cost. All that approach will do is to reduce the value of the Driver' labour. We are seeking an assessment of a fair fare that returns to the driver the expectation of a living wage.

We recognize that the Terms of Reference relate to the costs of providing the taxi service, but stress that this cost must on the one hand represent the reality of actual costs incurred by both operator and driver and the social impact of the recommendations. IPART must not make a fare decision based on a return to Taxi drivers for the supply of their labour at \$9.00 an hour.

For Sydney's 12,000 Bailee Taxi Drivers who carry 80% of all passengers, the operating costs of a taxi are met by the bailment fees. His expectation and legal entitlement is to get a half share of the fares. But he only gets one third. IPART can't decrease the pay ins , it must increase the fares.

Michael Jools

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