

**NSW Taxi Council comments on the**  
**Transport Workers Union submission to**  
**The Independent Pricing and Regulatory Tribunal 2003.**

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The Council is not proposing to respond in-depth to the TWU submission nor to highlight every claim that we disagree with or point out every inconsistency.

The following is a brief summary of some of the key points that we consider require some comment.

Two cost models

The TWU proposes that two different cost models be used in the review of fares.

It remains unclear how the TWU is proposing that the “two scenario” model is to be used to calculate a fare adjustment. We see no advantage being offered through the use of two “models”, or any other higher number of models since they must still be reduced to one “cost movement” figure for the purpose of deriving a single fare adjustment.

The TWU seems to ignore both its own models and cost figures in justifying its proposed fare increase since it prefers to base its claim on “what drivers’ deserve”, so the question remains unanswered.

The Council submission explains that the purpose of a model is to simplify the real world, in this case to provide one set of costs that is assumed to be an “average” representation of the industry. The weaknesses in this approach are well understood and are also discussed.

It is however, interesting to note that once plate lease fees are included, there is no profit margin at all for the single cab Operator model proposed by the TWU. This outcome is supported by anecdotal evidence provided to the Council. There is no justification for the manner in which the TWU has excluded plate lease fees from Operators’ costs.

The claim that it is economically justifiable for a taxi to be on the road for 52 weeks per year with a driver for every shift is completely unsound. There are peaks and troughs in demand throughout the day and week and year. Drivers cannot be expected to work at times when the return for their labour is too low. Hence for some shifts during quiet times, some taxis will be off the road through lack of customer demand and hence lack of available drivers. This is economically rational and efficient behaviour.

Since it would involve passing up potential income, it is not economically rational for an Operator to withhold his/her taxi from service whenever there is a suitable driver willing and able to bail it. Contrary to the TWU claims, it is very unlikely that such withholding of vehicles is widespread and hence highly unlikely that it has any significant impact on the availability of taxi-cabs.

Veracity of costs

Much of the TWU submission relates to arguments regarding the veracity of the “actual costs” included in the cost index rather than movement in costs. The TWU produces a range of alternative costs but seems to provide little verification of these costs. We are not proposing to respond to these issues in detail except as follows:

- The submission claims that confusion exists, but it seems that the TWU is the only party that remains confused about the application of the cost-index approach to fare reviews. In criticising the cost weights, the TWU does not seem to understand that the cost weightings have remained unchanged since 1999.
- The Council submission has already acknowledged the need to revise the base cost index periodically. It is impractical to attempt to adjust some cost weights in isolation, as seems to have been attempted by the TWU. There is not sufficient time available during the current review process to conduct a full review of the cost model.
- Scant details have been provided to support the TWU cost figures and hence they can't be treated as a serious alternative. The rambling comments regarding fuel prices on pages 29 to 31 to arrive at the unsubstantiated figure of 55c per litre produced on page 31 serves as a typical example to contrast with the extensive data collected by the NSW Taxi Council and provided to the Tribunal.
- The Council maintains that it has provided substantial evidence to the Tribunal in support of its claims regarding movements in costs.

Confusingly, the TWU goes to some lengths to comment on each item in the cost index model and come up with its own alternative set of costs, but then seems to ignore all its own hard work in deriving the proposed 23% fare increase.

Nevertheless, it is pleasing that elsewhere in the submission the TWU supports the basis for the Council's submission for a fare increase on account of Operators "for verifiable and substantial increases in actual costs".

### Revenue Claims

The TWU submission does not attempt to weigh up the costs and benefits of alternative approaches to the fare adjustment process, nor has it commented on the matters raised in the Tribunal's issues paper. It seems content to persistently ignore the fact that the cost-index approach to fare adjustment does not require or take account of revenue data. It either fails to understand or is simply acting as an agitator deliberately seeking to cloud the issues and cause confusion. The Council submission discusses the merits of alternative approaches and also explains why the current approach is adopted.

Despite the lack of relevance, the TWU submission makes many claims regarding revenues and driver earnings. We have been unable to find any justification or evidence to provide verification of these claims.

The TWU has been deliberately biased by adopting the assumption that drivers always pay the maximum pay-ins for every shift. The author knows full well that this is not true. Operators regularly place advertisements in newspapers advertising low pay-ins in an attempt to attract drivers. Many of the revenue and earnings claims made in the submission fall apart when this factor is introduced.

The NSW Taxi Council has no evidence itself, nor has it seen any evidence to support the TWU claims regarding driver earnings. Even less evidence is available to translate

earnings into an hourly rate. No records are available regarding the number of hours actually worked by drivers.

When the Contract Determination was negotiated, the TWU maintained that a shift is 9 hours including 1 hour for a meal break. However its submission asserts that a driver “must work the full 10 to 12 hours” to “earn enough”. The range between 10 and 12 hours per shift makes a 20% difference to the average hourly wage calculations, which is almost as much as the requested fare increase. This is an example of the lack of consistency and precision in the submission.

The Taxi Council rejects the claims made by the TWU regarding average earnings of drivers as pure fabrication.

Contrary to the TWU claims, the Council has a very strong interest in Drivers’ earnings and is taking action in an attempt to increase patronage and hence increase driver earnings. The more a driver can take during a shift, the more chance an Operator has of receiving the maximum pay-in. If more shifts were more profitable for drivers then a taxi would be bailed more often which also increases returns for Operators. For any driver that chooses to work on method 1, the Operator has a direct share of the takings. The other simple fact is that many Operators also drive their taxi-cabs. Each of these factors means that Operators do have a very strong interest in Driver earnings.

#### Other claims

No attempt has been made here to raise queries for every questionable matter raised by the TWU, a few examples of inconsistencies or areas of misrepresentation follow.

The submission complains about the loss of income from the absence of tips associated with EFTPOS transactions, yet no account is taken of tips in the earnings estimates. This is despite that, according to the TWU, the loss of tips is the “most worst” aspect of EFTPOS.

Despite claiming to represent Drivers’ interests the TWU seems ill-informed regarding how many new entrants there are each year. The submission claims 3000 per annum, the figure, which can be verified by reference to the Transport NSW website, is closer to 1500 per annum. In his own submission Mr Jools confirms his ignorance of the current training curriculum provided by the NSW Taxi Council for the benefit of drivers. It should be noted that the Taxicare Plus course was developed in consultation and was signed-off by all stakeholders including the TWU.

The list of “other expenses” presented by the TWU includes items that are either out of context or are not real costs such as; ‘fare evasions’, ‘meal allowance’, ‘laundry allowance’, ‘refusal of Cabcharge dockets’, ‘downtime for court appearances’ and other items.

The TWU has also included a claim to increase fares to allow for driver superannuation. Without a change in the industrial agreement there is no justification for a superannuation levy on fares for Drivers. It is not obvious how superannuation contributions can be calculated for Drivers without an accurate record of Driver earnings.

#### The Requested Fare Increase

The TWU has provided no justification for its requested fare increase, except that taxi Drivers “deserve and require \$12 per hour” and therefore fares should increase to achieve that objective.

The TWU and other bodies representing drivers persist in trying to confuse the issues surrounding the Contract Determination and the status of drivers. Taxi Drivers are required to hold an Australian Business Number so for taxation purposes they are clearly regarded as a business or self-employed. The TWU prefers to try and cause confusion about the existing industrial agreement with a grab-bag of claims for employee-type entitlements including a guaranteed minimum income.

The TWU has ignored the simple reality that the existing arrangements mean that ultimately it is their customers that determine how much a driver can earn. Realistically, only by providing improving levels of service can Drivers expect to satisfy more customers and hence increase their earnings through increased numbers of fares and increased gratuities.

The TWU approach of simply ratcheting up fares seems to ignore the environment in which the industry operates and expects that customers will willingly pay. Such an approach will clearly not succeed when customers can simply decide to travel by other means. Any obligation for a Driver to run his own “business” as a “business” and accept some responsibility for what he earns is blatantly ignored by the TWU. The notion that Drivers could accept some responsibility for improving service to benefit customers and to earn more business for themselves is not canvassed in the TWU submission, nor in the subsequent comments from Mr Jools.

The aim should be for drivers to more effectively utilise their time by attracting more customers, not to simply demand higher fares from an ever shrinking number of customers. The TWU seems happy to tell the Tribunal that Operators need to be more efficient but remains completely silent about the scope for improved driver efficiency and improved service standards.

The Council believes that the Tribunal’s charter would prevent it from countenancing such arguments that are completely at odds with the public interest.

### Conclusion

It is disappointing that the TWU seems determined not take a constructive approach to the fare review, and is irrational and even slightly hysterical in criticising the NSW Taxi Council submissions, and the approach adopted by the Tribunal in previous years.

The TWU submission concentrates on trying to undermine the Taxi Council submission but provides no plausible or rational alternative. The submission ignores the interests and the rights of the public to choose as it attempts to justify higher fares based on what drivers “deserve”, whilst ignoring drivers’ responsibility to improve their earnings by serving more customers. The argument is circular, since higher fares will reduce the number of customers and hence lead to further demands for fare increases if drivers are to maintain their “deserved” earnings.

No evidence is cited to substantiate the TWU claims regarding costs or revenues and hence we can see no option other than the Tribunal discount them accordingly.