

## Submission by Terence Mullens Dubbo Taxis

### IPART Draft Findings

### Response

- Competition in the rank and hail market in most of NSW is not sufficient to remove maximum fare regulation for rank & hail services.

--The rank and hail market in my location of Dubbo runs at approximately 40% Hail to 60% booked fares. The maximum fare schedule is the minimum sustainable fare schedule that taxis require to maintain a viable business. In order for the taxi industry to compete with other road transport industries ie( Road, Rail, Bus & Coach services) these maximum fare schedules need to increase by at least 20% to provide comparable remuneration. At present in country centres drivers are working for as little as \$8 per hour & operators working whole days for virtually no remuneration due to the necessity to work the Taxi for as many hours as possible to cover operating costs. Taxi costs of operation do not stop when the vehicle is not working.

Taxi co-operatives are not monopolies they are a collective of individual business who have been required by government to associate due to government regulation. They have no power to adjust fares above the suppressed maximum fare schedules & there has been no barrier to other co-operatives being created in the same areas if operators wished provided they were financially viable to create the new co-operative.

IPART would do a better job if they examined the remuneration of these other road transport industries and focus their efforts on recommending improvements in remuneration to taxi drivers & operators instead of chasing the Holy Grail of a zero monopolistic business landscape. Getting rid of the suppressed maximum fare schedule would be more practical, then the market would adjust supply & demand as it should. Operators would then generate more profitable businesses allowing for fleet increases as required.

Taxis are a business not a break even government service as are community cars and government bus & train services.

- High licence values & restricted supply of taxi licences continue to be a barrier to entry to the rank & hail market.

--IPART in this statement is viewing taxi business environments as being the same status across NSW. This view is incorrect as there is a broad difference between country/regional taxis and Sydney taxis. Sydney taxis that are allowed to trade in the CBD Eastern suburbs Airport areas have different values to taxis that trade in the outer areas of greater Sydney.

The value of a viable and sustainable taxi business is not a barrier to entry as there will always be willing entrants where there is the potential for the purchaser to acquire an asset that will provide a stable and reliable return on the capital invested.

IPART continually refers to licences having value when this is incorrect as a government licence has no value, it is the business of providing a taxi service that has the value and this comes about from the return on capital that the business provides the operator. IPART seems to want to ignore this basic business principle of business economics in their quest for

eliminating perceived monopolies. Business and investors rely on viable returns on the capital they commit to an enterprise and these returns vary according to the risk involved in the business.

Introducing supply of unrestricted licences to roam freely anywhere in country NSW *like pirates of the Caribbean*, to an already oversupplied market in many regional cities & towns will kill off demand for the existing viable taxi business. As far as IPART's suggestion that licences have been limited by country networks, this statement is blatantly untrue as the various taxi co-operatives in these towns & cities have always been able to acquire new plates when needed & some have had plates on hold for a number of years & have not been successful in getting anyone to take them on.

IPART should review the history of Orange taxis where the fleet was increased substantially causing a massive decline in business viability making it necessary for operators to seek other work & limiting supply to the public as the incentive to work the taxi during low consumer demand periods was removed. This co-operative has only just begun to recover after a 30 year struggle.

IPART should engage with the various Taxi co-operatives as these organisations have the relevant information & expertise it needs to be able to acquire the correct knowledge it needs.

- In remote areas and small towns, taxi service providers do not have the ability to exercise market power.

--In remote areas & small towns the potential of operating a Taxi service even when the licence is given out free of charge is marginal at best. Towns such as Narromine, Gilgandra, Lightning Ridge/Walgett, Cobar have had multiple and singular vehicle services that have either fallen over through lack of trade or exchanged for equipment value only.

IPART would be more competent in advising the government to expand government funded community transport for these locations where the operators are remunerated fairly.

- There is a shortage of taxi licences in areas of NSW outside Sydney.

--This is a very broad statement. Where are the shortages? At what time of day are the shortages? What is the duration of the shortages? What is the frequency throughout the day & week? IPART states that they contracted two survey companies to establish this statement; comparisons seem to have been made between New Zealand & NSW using hypothetical statistical modelling & no consultation with country operators. The concept that comparisons can be made between New Zealand & country NSW is not practical. The dimensions & scale of the two countries have nothing in common country NSW is about twice the size of New Zealand & doesn't have the population densities of that country.

The result of these surveys seems not to have benefited from any actual physical consultation with the relevant Taxi co-operatives who have the knowledge required leaving this assumption to be possibly inaccurate & irrelevant.

## Draft Recommendations

## Response

<ul style="list-style-type: none"><li>• Taxis be required to display their rank &amp; hail fares on the outside of the vehicle to facilitate fare competition.</li></ul>	<p>--IPART demonstrates its ignorance in the practical operation of taxi services. Does it mean that in a regional city of 20 or 30 vehicles that every vehicle must display a fare schedule that differs from each and every vehicle in order to demonstrate competitive pricing between Taxi vehicles? Does every Taxi service across NSW have to display different fare schedules? This stupidity will not benefit the passenger as the everyday practice of passengers is to enter the first taxi parked on a rank &amp; they have little interest in making comparisons their preference is for one tariff structure across the fleet. Their immediate need is to enter a taxi &amp; be taken to their destination with a minimum of process.</p>
<ul style="list-style-type: none"><li>• The Point to Point transport commission collect trip data annually for three years or until competition is effective whichever comes first, from all taxi booking service providers with annual revenue turnover of \$1million.</li></ul>	<p>--Collection of data that is relevant to the management of supply of taxi licences is already available &amp; can be sourced from the existing Taxi co-operatives any time they require the information.</p> <p>Again IPART demonstrates its ignorance by assuming Taxi co-operatives have large turnovers. Taxi co-operatives in the regional cities generally only have a small number of WAT vehicles &amp; since the advent of computer dispatch systems their main purpose is for central billing services of account work. Independent operators (co-operative members) conduct their business on their own cash basis and are required to submit their account dockets for presentation to the relevant organisations for remittance via the co-operative admin service.</p>
<ul style="list-style-type: none"><li>• Taxi operating areas outside Sydney be classified into Designated &amp; Exempt Zones.</li></ul>	<p>--Creating operational zones may help in getting diversified information however the suggested zones are not sufficient for the diversified information being sort.</p> <p>Sydney its self should be divided into two parts separating Western Sydney circle from the Eastern Sydney circle. Central coast, Newcastle &amp; Wollongong should be separate from the Sydney circles &amp; the Country areas.</p> <p>Country areas should be separated between the regional cities &amp; small country towns. The Taxi commissioner would then get more accurate information regarding shortages of supply and at what hour of the day, duration &amp; frequency.</p>
<ul style="list-style-type: none"><li>• A moderately small number of new licences be released in 2018, equal to 10% of existing licences in the Designated Zone.</li></ul>	<p>--Releasing this number of licences into country NSW will be highly damaging to the viability of the existing &amp; sustainable Taxi business enterprises. The perceived shortages that IPART refer to in this report won't be resolved as the recipients will only migrate their business to the areas where they can make the greatest return (<i>large regional cities</i>), leaving the areas where there is a shortage of services no better off.</p> <p>IPART does not realise that where there is a perceived shortage of service there is almost a non-existent use of rank &amp;</p>

<ul style="list-style-type: none"> <li>• For year commencing 1 July 2018 Transport for NSW (TfNSW) issue: <ul style="list-style-type: none"> <li>-- By tender, 124 annual licences to operate anywhere in NSW outside Sydney. These licences should be issued in several tranches throughout the year.</li> <li>--On request for an administration fee, annual licences to operate anywhere in the Exempt Zone in NSW with the initial determination to be licences, equal to 10% of existing licences in the Exempt Zone. Uptake of these licences to be monitored by TfNSW &amp; further licences released under section 71(5) of the <i>Point to Point Transport (Taxis &amp; Hire Vehicles) Act 2017</i> if demand exceeds the initial allocation.</li> </ul> </li> </ul>	<p>hail services, (<i>small country Towns</i>), Regional cities where there is a small rank &amp; hail service will not provide the new supply of Taxis sufficient revenue to warrant participation. If this were to happen My business turnover would decline by 10% or more resulting in drivers being out of work and reduced hours of operation resulting in an overall depletion of services.</p> <p>--Releasing 124 unrestricted licences into country NSW that are able to travel to any location randomly is a draconian &amp; irresponsible recommendation that demonstrates IPART's ignorance of the fundamental principles of operating a viable &amp; sustainable passenger transport business. In 103 pages of this draft document the word business is only mentioned once. IPART is out of touch with the realities of the passenger transport industries &amp; confuses itself with what is a public service funded by government revenue (<i>urban train, bus &amp; ferry services</i>) as against privately capitalised business enterprises that require a return on investment to maintain. It can only be assumed that IPART's only interest is to implement in the point to point industry a regime that meets it's ambition of a zero monopoly business landscape.</p> <p>--If there are already licences that are on hold why is there a need to release more licences? Is it not more practical to transfer the licences on hold to the areas where there might be demand?</p>
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<ul style="list-style-type: none"> <li>• New annual licences for the Designated Zone be permitted to provide rank &amp; hail services anywhere in NSW outside Sydney except Queanbeyan.</li> <li>• New annual licences issued for Queanbeyan operating area not be able to provide rank &amp; hail services in the rest of NSW.</li> <li>• New annual licences for the Exempt Zone be permitted to provide rank &amp; hail services anywhere in the Exempt Zone.</li> <li>• Maximum fares for rank &amp; hail services remain unchanged in nominal terms for Sydney &amp; areas in the Designated Zone from 1 July 2018.</li> </ul>	<p>--If there are already licences on hold in country cities &amp; towns would you not transfer them to the areas where shortages exist before releasing new licenses. Allowing licenses to migrate anywhere in NSW is a recipe for disaster as the holders will only apply for the licence in an area of perceived shortage then travel to the centres where they hope there is sufficient demand. Again IPART does not realise that rank &amp; hail work in country NSW is minimal &amp; cannot support the infrastructure required to provide a service.</p> <p>--Considering that Queanbeyan is essentially a suburb of Canberra &amp; the respective governments have not had the common sense to move the boarder appropriately to include it in the A.C.T., this should be supported until someone gets their act together.</p> <p>--Again IPART has not got a grasp on the issues that make remote NSW function. No amount of licence release will resolve the problem of rank &amp; hail services in these areas and only kill off the services that already exist, that are probably community transport services. Opportunists follow the money they don't care about the needs of a backwater community.</p> <p>--Again IPART is out of touch on this subject while chasing the Holy Grail of suppressing fare levels in the hope that this will increase passenger volumes. <u>A Point to Point service has infrastructure, (i.e. Motor vehicle &amp; the equipment to operate such as Computer dispatch &amp; Radio. Running costs of fuel, maintenance, registrations, insurances, co-operative fees and dispatch service fees.)</u> The present schedule fee has been frozen for the past two years and need to be increased by at least 20% to be able to provide respectable incomes for drivers and operators. In country centres drivers are earning as little as \$8 per hour gross and rarely get above \$20 per hour on a weekly basis &amp; frequently operators take zero income when required to work weekend day shift &amp; night shifts through the week whereas a truck driver earns on average \$30 per hour for every hour they work. The majority of Taxi operators have purchased their business to provide an income for their family rather than survive on welfare &amp; the average age is over 55, the taxi business is a last resort to these people before permanent unemployment. As for drivers it is the bottom of the barrel as work quality goes &amp; they only do it when their options have run out. Further suppression of fare schedules is an inquisition on the Taxi industry &amp; should be done away with &amp; let the market set the price without the irresponsible release of uncontrolled go anywhere licences</p>
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<ul style="list-style-type: none"> <li>• Areas in the Exempt Zone be exempted from maximum fares for rank &amp; hail taxi services specified in the fares order for 1 July 2018.</li> <li>• The next fares order includes a separate charge for the passenger service levy.</li> </ul>	<p>--The exempt areas have the same costs governing their business with the added burden of low volumes or non-existent demand that can support a viable business.</p> <p>--<u>The passenger service levy should be abandoned as it is an unfair cost on the traveling public.</u> The NSW government &amp; Transport for NSW created the disaster of destroying Taxi operator's equity in their businesses through their failure to ban unregistered &amp; illegal rideshare passenger services when they had the power &amp; the law to do so, this in turn destroyed any confidence that an investor might have had in this industry &amp; reduced it to fire sale values where operators who have had to retire have realised large capital losses. They failed to uphold the NSW transport Act regarding the carrying of public passengers therefor the NSW government would accept the responsibility for this mess, compensate operators for their loss of equity with as little objection as possible.</p>
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I have been an operator of a Taxi service in Dubbo for the last 15 years having purchased my business for \$250,000 in 2002 & I am 65 years of age and looking to retirement. I have considered my business as being my superannuation saving & if these recommendations are allowed then I will be unable to realise this outcome.

It is an accepted financial expectation that your capital should double every ten years however in this instance obtaining this seems unlikely.

If the superannuation benefits of public servants were to be destroyed in a similar manner as the Taxi industry what would be the result for the government.

With the advent of this destabilisation of the NSW Point to Point industry on the whim of unsubstantiated academic opinion that Taxi values are too high I am now left with a business where there is no enquiry or demand from any prospects that may have wanted to enter the local market therefor destroying any retirement benefit that I may have been able to gain. The release of licences that are able to trade anywhere is draconian & irresponsible in the extreme.