

TAXI CABS BATHURST CO-OPERATIVE SOCIETY LTD

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**SUBMISSION RE IPART'S DRAFT
RECOMMENDATIONS ON TAXI FARES AND
LICENCES IN NON-METROPOLITAN NSW FROM 1
JULY 2018**

SUMMARY

Bathurst Taxis welcomes the opportunity to make this submission regarding IPART's draft recommendations regarding taxi fares and licences from 1 July 2018.

We are very concerned about the recommendations as they stand. Two areas of particular concern are the recommendations to issue 124 additional annual taxi licences to Designated areas in Regional NSW, and the proposal to yet again freeze fares.

We believe that the impact of issuing additional plates will far outweigh the perceived benefits, and that none should be issued. We also believe that a fare increase is warranted and should be recommended.

CURRENT POSITION

The Taxi Industry in country NSW is under severe pressure, as a result of the conduct and policies of the NSW Government, and several other, "macro" factors.

A. NSW GOVERNMENT

Community Transport & Service Organisations.

Over recent years, the NSW Government has provided funding to several Service Organisations (including Bathurst Community Transport, Better Living, Accessible Living Options, Vivability, Glenray Industries, etc) sufficient to purchase and run approximately 20 wheelchair accessible vehicles. Naturally, these Service Organisations compete with taxis and reduce the income we receive from passengers requiring wheelchair-assisted transport. For this reason, the operator of one of our 2 wheelchair assisted taxi (WAT) services recently decided not to replace it, and we are now regrettably down to having only one WAT to service our wheelchair customers.

It is worth noting that wheelchair transport services are typically provided by these Service Organisations only during business hours, and Bathurst Taxis are expected to service this clientele after hours and at weekends. This often results in very poor service to the neediest people.

Assisted School Travel Programme (ASTP), run by NSW Department of Education.

Despite assurances from ASTP personnel that they value the service provided by the taxi industry and recognise the higher standards which result from GPS- and camera-fitted vehicles, which are subject to frequent inspections, and well-trained drivers, this rhetoric is not borne out in practice.

In 2014, Bathurst Taxis had twelve school runs; in 2015, we had nine; in 2018, we have four. Growth in the number of school runs has occurred in this period but has been granted exclusively to private contractors such as the Service Organisations referred to above, at the expense of Bathurst Taxis.

The December 2016 legalisation of previously illegal ridesharing

Prior to December 2016, the NSW Government failed to discharge its obligations to enforce the law, and take effective action against ridesharing providers, who openly flouted the law. This had the effect of implicitly condoning their activities and opened the door to ridesharing in

NSW. This allowed ridesharing providers a beach-head to establish their (illegal) operations, to the detriment of the taxi industry.

Despite the NSW Government's announcements, the December 2016 Point to Point legislation has done the taxi industry few favours. The "cutting of red tape" (claimed to save \$30M a year for taxis and hire cars) has merely seen many administrative and financial oversight responsibilities shifted from Government to the taxi industry.

Inadequacy and inequity of the Transitional Assistance Package

The value of taxi plates as traded has roughly halved in the Sydney market (from ~ \$400,000 or more to ~ \$220,000) over the last few years. The low frequency of country taxi plate sales makes the fall in value of country plates hard to judge, but a reasonable estimate is at least 25%. In Bathurst, where plate values have not risen substantially (if at all) over the last 10 to 15 years, plates which traded for ~\$180,000 may now fetch ~\$140,000 if the vendor is lucky enough to find a purchaser.

The NSW Government has estimated that compensation of \$20,000 per set of plates (up to a maximum of 2 plates per licence holder), the promise of a portion of a Hardship Fund once it starts making disbursements, and the provision of a business advice service of questionable value to plate owners will cost it around \$250M. This figure is a fraction of the total capital losses (both realised and notional) experienced by NSW taxi licence holders. The difference between the amount to be paid out under the Transitional Assistance Package and the capital destruction has effectively been borne by taxi licences holders. This "loss of capital" has effectively been transferred to the ridesharing industry, to the detriment of the taxpayer as well as the taxi industry.

The transfer of oversight obligations from Department of Transport to taxi networks

Setting aside the moral aspect of transferring the oversight functions from Government to the taxi industry, the obligations flowing from this shift are very onerous and the workload substantial. It seems inevitable that the increased costs of performing these functions are significant and will have to be met by taxi networks.

Review of the Taxi Transport Subsidy Scheme (TTSS)

The Review of the TTSS (presently only available to taxis) is widely expected to recommend that TTSS be extended to other transport providers. When implemented later this year, this will further reduce taxi income.

The decline of real income

As IPART will be well aware, tariff increases for taxis in country NSW have not kept up with CPI, and so have declined in real terms, over the last five years or so. Costs continue to increase [for example, a Compulsory Third Party insurance policy for a May 2015 Toyota Camry has increased from \$3,735.47 in January 2017 to \$4,669.00 in January 2018, for a policy holder with a full complement (ie no loss) of demerit points].

Additionally, the number of jobs completed by our network has failed to keep up with the growth in population but has instead reduced over the last 5 years.

False perceived equivalence of metro and non-metro taxi industry

In its efforts to reform the NSW taxi industry, the NSW Government has failed to differentiate between the character of, and the quality of service provided by, metropolitan and country taxi networks. While we have no grounds for complacency, the huge difference in the standards of customer service between country and metropolitan taxi networks has not been taken into consideration; country networks have been “forced to take the same medicine” as metropolitan networks, without displaying the symptoms which necessitated the treatment. Needless to say, we have been forced to re-organise our business accordingly, and to our detriment.

B. OTHER FACTORS

Several factors outside the control of NSW Government also contribute to our predicament: -

Inaction by Federal Government

The Federal Government has been conspicuous in its lack of support for the local taxi industry. It seems that only when the implications of the significant loss of tax revenue that accompanied the huge transfer of wealth from taxi plate holders to ridesharing providers finally dawned on the Federal Government that they were forced to act. From a taxi industry perspective, their lack of leadership, short-sightedness and moral turpitude on this subject leave much to be desired.

Increase in the number of alternative transport methods

Over the last few decades, services provided by bus lines have proliferated, resulting in more passengers using buses where possible. This has significantly eroded our income base.

Further, cars have become much cheaper to purchase, resulting in more people owning and using their “second car” rather than catching a taxi. One-car families have become a rarity, and families with multiple cars have become the norm.

More recently, the number of courtesy buses run by pubs and clubs has also increased significantly.

These factors all contribute to the decline in our revenue and profitability.

Financial pressure

It is evident from the above that the taxi industry in Regional NSW is already experiencing severe erosion of its traditional income base, and its margins, even before booked services provided by non-taxi providers become well established in country areas.

This pressure is experienced by taxi operators in the following ways:

- Declining income
- Contraction of profit margins
- Difficulty attracting and retaining drivers
- Loss of capital value of taxi plates
- Illiquidity of taxi plates
- Significantly increased compliance costs

The activities of Service Organisations and ASTP school run providers have also had a significant impact on our revenue, as referred to above.

To ensure that IPART members obtain a better understanding of the “real world” in which we operate, we extend an invitation to “ride on” in one of our taxis, at a time and place of the Tribunal’s choice, to better acquaint the panel with the issues we face.

Further, we exhort the Tribunal to take into consideration that driver pay-in rates are typically fifty (50) % of shift takings in NSW country taxi networks. Any calculation involving the estimation of operator income must factor in this expense. We need to be sure that IPART is giving full consideration to this significant cost in its calculations of operator margins.

Having received only one fare increase of 2% ~ 3% in the last five years, the financial pressure our industry is experiencing will only be compounded should the recommendation to freeze fares once more be implemented - in fact, a fare increase is long overdue.

FURTHER CONSIDERATIONS

In evaluating the effect of the recommendations made in IPART's Draft report (should they be accepted by NSW Government and introduced as proposed), the following factors should also be considered.

Impact on the customer

The taxi industry remains the transport provider of last resort; in Regional NSW, we are usually the only public transport service operating on Sundays, and between midnight and 6 am on other nights. The general public expect us to be available to transport them, late-night admissions and discharges to and from hospital, shift workers to or from work, etc. We also believe that we perform a valuable public service by clearing the entertainment precinct of patrons, some of whom have over-indulged and who all too frequently represent a threat to property and social order.

We currently ensure that we provide a taxi service 24/7/365, by rostering a car on even when to do so is clearly uneconomic. We do this because we believe we have an obligation to our customers. In practice, the "uneconomic times" (typically midnight to 6am Sunday to Tuesday inclusive) are subsidised by the more lucrative nights (typically Friday and Saturday nights). We expect that making more taxi plates available in Regional NSW will allow new entrants to "cherry pick" these profitable nights. The result can be expected to be a reduction or complete withdrawal of taxi services in the uneconomic times. By any measure, this would be an undesirable outcome for the general public.

In short, our service levels must be expected to be negatively impacted should these draft recommendations be accepted and implemented as they stand, and the general public will surely be adversely affected.

Impact on other industry participants

For the reasons stated above, we believe that allowing any number of additional taxi plates to operate in Regional NSW will be highly damaging to the community at large, and the drivers, operators, owners and support staff who make up the country taxi industry, since we believe

it will further undermine the already marginal viability of our industry in country NSW.

Likely successful lessees of any additional taxi licences

We believe that the successful tenderers in any auction of additional annual taxi licenses are unlikely to be small operators but are instead more likely to be the larger networks or players. Many of these networks have poor records with respect to customer service, quite apart from the potential for them to exercise predatory pricing practices.

For these reasons, we do not believe that the recommendation to increase the number of taxi plates in country NSW will serve the public interest.

Jonathan Spence,
Secretary/Manager.