

Australian Taxi Drivers Association

33 Burrows Rd, St Peters NSW 2015 ... m 0419 27 27 44

mail@tda.net.au www.tda.net.au

.. a fair share of a fair fare ..

Action Against Illegal Ride Sharing Arrangements

Submission to IPART - Issues Paper November 2014

Yet once again IPART launches into a review of Urban NSW Taxi Fares, and of a determination of the number of extra taxi licenses for Sydney. Yet again it does so on the basis of taxi drivers earning less than \$11.00 an hour as the cost of their labour ; and in total disregard of the effective over-supply of taxis on our city streets. This year the Industry faces a new challenge from unregistered vehicles with unauthorised drivers under the banner of Uber-X, operating illegally and with the cognisance of a Government not prepared to enforce its own laws.

IPART proposes a series of "issues" for comment, and ignores the very real possibility of taxi drivers' actually earning community standard remuneration such as would cause a fundamental disruption to all aspects of our Industry. By its own model, the prospect of drivers earning a minimum of \$24 an hour, plus Entitlements for all drivers, plus Superannuation, and of not paying for Fuel and Wash, would immediately – not gradually - cause the end of Plate Lease Fees, and of any value in the ownership of Plates. Not mere disruption, but potential destruction.

A 25 % decrease in values over time is simply not an issue.

And that prospect is both real, and known to IPART. The NSW Industrial Relations Commission has the matter before it, and an arbitration decision is likely before July 2015.

It is an issue which transcends all others, and of which IPART appears to operate in total ignorance.

This response by the ATDA will, out of courtesy, make a comment on the issues requested. We note however, the overwhelming need to address the real issues confronting the Industry.

- 1. What is the appropriate period of time over which licence lease prices might be expected to fall by 25% in real terms?*

The price of License Leases should be immediately reduced to \$1000 a year, with an unlimited number of Unrestricted Plates being made available to Operators who covenant to principally drive the taxi themselves or with the services of an employed taxi driver.

IPART needs address the issue of how many owners of a single or two plates would actually suffer hardship when plate prices collapse, and if there is any question of compensation.

- 2. How should we balance the trade-offs between affordability, total number of trips, taxi occupancy, passenger waiting times and greater ease of entry into the industry in our modelling?*

A balance can be achieved by eliminating in its entirety the notion of imputed value in a taxi plate, and by permitting free market place competition to self-regulate the numbers of taxis, whilst maintaining a Regulatory control over vehicle quality standards of Safety and Service, and of Fare Maximums for Rank and Hail Taxi Services.

The balance between Occupancy and Passenger Waiting Times is best achieved by technological improvements in taxi operating systems.

Fares cannot be decreased until drivers are earning a Community Standard Income from their labour, but need not be increased at this point.

Utilization and Occupancy rates are matters for Operators and Drivers to improve, and will come with more taxi trips recovered from illegal ridesharing arrangements.

3. Should some of the recommended licences be released as PALs? If so, what proportion?

All plates should be unrestricted, with the licensee influenced by free market forces as to his use of the Vehicle.

4. Has the release of additional PALs during 2013 and 2014 had an impact on the way in which taxis are operated in the Sydney market?

Yes, the failure to regulate driving hours by any one driver has increased the fatigue rates of PAL drivers, and prejudiced the safety of passengers. The cost advantage of a 'one-out' operation has led to excessive hours of driving, especially over the weekends.

5. Is there sufficient competition for booking services already to allow the booking fee to be deregulated?

Yes, and deregulation of the 'booking fee' would permit advertised variations – both up and down – which would introduce competitive forces away from a regulated fare structure.

It should be accompanied by extending the regulated life / usage of a luxury / long wheel base limousine type vehicle to ten years.

6. Should we continue to review LPG prices outside the regular fare review cycle?

With the transfer back to being an Operator cost, and with the increased use of Hybrid vehicles, this cost should be tracked and weighted annually, together with all other material costs. There needs to be a greater assessment of all operating costs, and on an annual basis.

The major issue we would raise at this point is to query IPART itself as to what process it intends to adopt in response to the industrial relations changes possible, and imminent ?

The other issue is what is the response to the supply side impact of illegal ride sharing ?

The Transport Workers Union has an Application now before the IRC to vary the Taxi Drivers Contract Determination, 1984. Arbitration of the matter is a certainty, and of the four significant proposals, some will, no doubt, succeed to a complete or lesser extent. If, however, any one or all succeed the impact on the current state of the industry will be massive.

If hourly earnings are set to a minimum of \$24.30 per hour on all shifts, the average day shift operator will have minus revenue.

If Fuel and Wash are paid by the Operator, his annual revenue will decrease by about \$26,000. There will be no overall cost increase in IPART measures, as it will be no more than a transfer, but the impact will be well beyond the capacity of operators to afford.

If the distinction (for purposes of Annual Leave Entitlements) are removed as between permanent and casual drivers, those costs of about \$10,000 a year which IPART currently does not count, because they are not paid, will become an instant cost increase.

If Superannuation is acknowledged as an Operator liability and responsibility, the, another \$10,000 cost item will suddenly appear.

At most, approximately \$75,000 a year will be added to the real and measurable costs of providing a taxi service. Without responsive change there will be no Industry.

If the changes sought by the ATDA, in its Application as an Intervener, in these proceedings, gets up, the cost impact could be as much as \$100,000.

Certainly IPART has a requirement to consider the current state of the Industry, but the impact of events already in process must also be considered in determining an outcome of fares and plate numbers beyond July 2015. Certainly there are imposed deadlines on IPART, but, again, the major issues need be raised and the possibilities forewarned to Government.

The other issue is what is the response to the supply side impact of illegal ride sharing ?

Anecdotally, taxi business is in decline. The new survey may or may not support that position, but the stated results from Uber-X is that their business is doubling in trips each month. It can only be achieving such, or any increase, at a similar reduction in taxi business. Our taxi industry is losing market share of passenger transport, and any analysis of future additional plates being marketed must account for this reduction.

How the impact of Uber-X is to be incorporated into the IPART Model is a question for IPART. It should, in the interests of transparency, publish versions of its Model that reflect such changed input assumptions. Proper discussion cannot occur without such data.

Reasoned conclusions cannot result from the absence of possible alternate outcomes.

The ATDA also takes up two of the points it has made over many years :

1. The Premiers Reference to IPART continues to refer to an obligation to take account of the interests of existing Plate Holders. There remains more than a semantic question as to the Plate Holder being the person operating the taxi service and having a lease or sub-lease on a plate owned by another party or lessor – and the NSW Government is now the biggest such lessor - or of the Plate Holder being the original licensee of the plate. (and again the NSW Government is the biggest such licensee).
2. It is iniquitous and inequitable that IPART's reasoning and its Taxi Model be based on an illegal framework, albeit one which is real and in effect in the Industry. Taxi Drivers in Sydney do work on an average \$11.00 an hour, in a range of \$8 to \$15. They do not obtain their legal entitlements of Annual Leave, Sick Pay or Long Service Leave. Superannuation remains an illusion, and a standard 38 hour working week a myth.

To construct and use a Model with the base labour cost of \$10.00 an hour may well reflect the sad reality, but that a Government then sets maximum fares for taxis on that basis is abhorrent and unacceptable.

The ATDA is well aware that the workplace relationship changes it advocates to the IRC would render the industry unviable in its present construct. Efficient Utilization of taxis and improved Occupancy rates would see the industry survive – provided the non-economic rent of plate leases disappear, and new entrants meet legal and community standard requirements.

We are optimistically confident that some, if not all, of the changes to the Contract Determination will be effected by July 2015, and therefore see no need for a fare increase this coming year. If the redistribution of costs does not occur, then fares should increase wholly to the driver and by at least the Consumer Price Index.

If our version of \$1000 taxi plates for all who operate and drive themselves, and with an employed driver, is accepted and effected, then the number of taxis on the road will be the function of a free, competitive market. If IPART suggests, and the Government agrees on this, the last time it has an option to accept or not accept such a suggestion, a zero increase, then that will reflect the current oversupply and illegal share riding influences.

If any increase in tendered plates is suggested, then IPART has completely abandoned its moral obligations, since the 'tender' price really does no more than sustain excess 'economic rents'.

IPART's "issues paper" is deeply flawed in that it fails to address the real issues before the Industry.

Michael Jools
President ATDA
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