

## Review of taxi fares and annual Sydney taxi licences

Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Dr Boxall and Committee members,

I welcome elements of this report, but note that you yourself acknowledge that:

“...In an open entry market, we would expect new operators to enter the market and compete away the profit. However, Sydney is not an open entry market and in the past taxi licence numbers have failed to keep pace with growth in passenger demand and fares have risen at a higher rate than the economic costs of providing taxi services, with all the profit essentially captured in the licence lease payment...”<sup>1</sup>

Despite this IPART seems content to largely see this market continue, despite there being compelling academic literature raising real concerns about how government “propping up” allegedly private market operators can cause a variety of problems.<sup>2</sup> I believe licence-holders in the taxi industry are analogues to the weak vendor arguments of Johnston and Girth. Equally, it is unclear to me why you would perpetuate different classes of licences, beyond those annually tendered by the Roads and Maritime Service (RMS). My recommendation would be to retain the money from unsuccessful tenders and, use it to purchase perpetual licences as they are handed in, rather than let them be resold. In paying a fee to enter an auction, the loss of same by an unsuccessful tenderer, should be considered a cost of doing business.

Additionally, we would have something that looked more like a market if the auction was open and public. While acknowledging this may inflate licence prices, the additional funds raised by government could be used, for example, to cross-subsidise wheelchair accessible taxi (WAT) licences and/or put a few more dollars on the value of Taxi Subsidy Scheme dockets.<sup>3</sup> Equally, as I have said in previous submissions to IPART, licence-holders need to take far more responsibility for vehicles and drivers; the legal separation between different players in the industry continues to amaze me. As such, drivers should retain part of their buy-in fee, as the licence-holder’s contribution to cleaning and petrol costs, particularly given that on IPART’s own figures a driver can earn as little as \$100 a shift.<sup>4</sup> I do not see how

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<sup>1</sup> IPART, Review of maximum taxi fares and review of annual Sydney taxi licences from July 2014, p.11

<sup>2</sup> See generally, Jocelyn M. Johnston and Amanda M. Girth, *Government Contracts and “Managing the Market”*: Exploring the Competition Costs of Strategic Management Responses to Weak Vendor, *Administration & Society* 2012 44: 3, originally published online 13 September 2011, DOI: 10.1177/0095399711417396 - The online version of this article can be found at: <http://aas.sagepub.com/content/44/1/3> Downloaded from aas.sagepub.com by guest on November 29, 2013. Also note: Jocelyn M. Johnston and Amanda M. Girth, *Contract Management in Thin Markets: Examining transaction costs and contract effectiveness*, Draft Conference Paper, <http://www.maxwell.syr.edu/uploadedFiles/conferences/pmrc/Files/Johnston%20Contract%20management%20in%20thin%20markets%20Examining%20transaction%20costs%20and%20contract%20effectiveness.pdf> as at 29 December 2013

<sup>3</sup> I also ask why this scheme has not been transferred to an Opal style card yet? The technology exists and, would relieve many with physical disabilities (including me) of the need to write out paper dockets.

<sup>4</sup> See IPART, p.12

this can ever be economically viable and, suggest that it is not only the number of licences leading to either a perceived or real shortage of taxis.

Yours faithfully,

A handwritten signature in black ink, appearing to read "A Johnston", written over a horizontal line.

Adam Johnston

23 January 2014