The Chairman
IPART NSW
Level 8, 1 Market Street
SYDNEY NSW 2000

30 January 2015

Dear Sir,

Re: Review of Sydney Taxi Fares and Licenses to be Released 2014/15

This submission outlines my thoughts in relation to the Draft Report prepared and released by IPART in December 2014. As mentioned in my earlier submissions, I have almost 50 years experience across all facets of the taxi industry and represent a substantial investor in taxi licenses.

After having thoroughly read the consultant reports from CIE and Tavener Research, it is obvious that the industry has been heading down a misguided path. The ideology of releasing hundreds of additional licenses to improve competition and benefit the customer was flawed and has yielded only marginal success at a huge cost to the viability of the industry.

The CIE Report reveals the following alarming outcomes compared to 2011:

- Demand for taxi services has reduced. This can be attributed to the use of non time-delayed Hire Car apps, illegal Ride Sharing services and the introduction of early lock-out laws that significantly impact night shift patronage;
- Revenue per taxi license is down 3.2%. This is despite fare increases of 6.7% (= CPI) over the same period;
- Taxi driver income has reduced by 4.4% in nominal terms (11.1% in real terms) to now be at around $10 per hour. This is an disastrous outcome for some of the lowest paid workers in our society. Obviously, many drivers are now choosing to leave the industry;
- Operator income has decreased as pay-in amounts are reduced to attract drivers or shifts are not filled. Many operators are relinquishing licences as they have become unprofitable. All networks have many (30+) licenses that are available for lease with no prospective takers;
- Operators are extending service intervals, ensuring tyres and brakes are at absolute minimum before replacing and scaling back on some other regular expenses such as car washing in order to remain profitable;
- License owners have been particularly adversely impacted with license lease fees down 6.4% in nominal terms (13.1% in real terms). This figure does not include a further reduction of 8% announced by all networks to be effective from 1 March 2015. In addition, perpetual license values have decreased from $425,000 in 2009 when IPART first commenced its reviews to $360,000 today – that is a 15.3% reduction in capital value;
- Whilst network fees have increased, increases have been ket at 2.7% (below CPI).

The Tavener Research report reveals the following additional information:

- Passengers still do not consider taxi fares reasonable value for money. This is despite all stakeholder groups within the industry substantially worse off financially and the industry profitability and viability brought into question. It is my contention that fares in themselves are not overly expensive. It is the 'out of pocket' add-ons such as tolls, booking fees, credit card charges etc that increase the amount payable to levels considered too high. For example an airport trip to Nth Sydney would be $55 in fare and $22 in tolls and charges (airport toll, eastern distributor toll, 2 x harbour crossing tolls, 3% Cabcharge fee and 0.3% GST on Cabcharge fee);

- Large increase in the use of Hire Cars. The advent of smartphone apps and Uber Black mean that the requisitioning of a Hire Car is no different than ordering a taxi. There needs to be a time delay of at least a few hours to differentiate Hire Car bookings from taxis;
- Increasing use of illegal ride sharing such as Uber X. Not enough is being done to stop this unregulated and unfair competition from gaining an irreversible foothold in the market.

As can be seen from the comments above, the taxi industry is under siege along multiple fronts and is struggling to survive and flourish. The industry is desperately in need of a new direction from policymakers as the recent past has proven disastrous to all industry participants.

I welcome the recommendation to not issue any new licenses but would go further and commence the reversal of the expansion of licenses by not renewing the 99 PAL and 40 unrestricted licenses that have been returned during 2014. In addition, I believe that PAL licenses are bad policy as their viability based on reduced operating hours remains dubious. There are better ways of meeting customer and operator needs that I have outlined in previous submissions.

I also welcome the recommendation of a review of all point to point transportation services. Only by establishing clear target markets and rules of operation can all participants in the point to point transport services sector work as an integrated transport system for the good of the industry and travelling public.

Lastly, whilst I agree with the tribunal's recommendation to discontinue reviewing LPG (or other fuels) outside of the annual fare review cycle, I believe that a threshold on increases should apply. For example, if fuel costs rise by 20% or more and the rise is sustained for 13 weeks, a review should take place.

I thank you for the opportunity to provide my thoughts and look forward to contributing further in the future.

Yours Faithfully,

Silvano Porcaro