

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

7 November 2014

Dear Sir,

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

I have been involved in the taxi industry for over 40 years as a driver, operator and now multiple license owner. This submission outlines my thoughts in relation to the six specific questions that have been raised in the 'Issues Paper' prepared by IPART.

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

The answer to this question is somewhat academic. IPART has correctly noted that the overwhelming majority of leases are private in nature and the value of those leases is not publicly available information. Similarly, the amounts offered under the tender/auction system are not indicative of the market as the bid range is so wide – reflecting opportunists, unsophisticated new entrants and knowledgeable aspirants.

This metric as a proxy for operating costs and the adverse impact to current license owners is therefore totally unreliable.

A better, more reliable measure of these impacts is that of the movement in sale values of unrestricted taxi licenses. This information is recorded by TfNSW for every single transaction and is publicly available. It naturally follows that as capital values decrease downward pressure is exerted on lease values in order to push yields to historical risk/reward levels.

I note that IPART has quoted an average license value of \$381,784 for the year to April 2014. This figure in my opinion represents an incorrect use of the data as a median value is more reflective than an arithmetic mean calculation. When IPART commenced their involvement in the review of taxi license numbers, the value of unrestricted taxi licenses (according to IPART) was in excess of \$421,000. The value as at today (from TfNSW) is \$370,000. That represents a 12.1% decrease in value in nominal terms. In real terms (ie allowing for 3 years of inflation) the percentage decrease is closer to 20% – at a time when other asset values such as property, equities etc are appreciating at a rate well above the inflation rate.

My opinion is therefore that existing taxi license owners have already suffered adverse impacts greater than what can be considered fair and that the decrease in lease values (lagged due to contractual lease expiry dates) is well and truly underway. I note that IPART has yet to publish what it calculates as the percentage decrease to date. This should be regularly communicated for transparency and so that the industry is aware of IPART's position.

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

The first priority for policymakers is to ensure that the industry remains viable. The current path that IPART is pursuing is based purely on dogged free market ideology without balanced consideration of the impacts on all stakeholders. This has so far resulted in falling incomes for drivers, operators

scaling back their businesses or exiting the industry and of course significant loss of equity (and income) for owners. The cost to the industry seems disproportionate to the benefits enjoyed by passengers.

I note that customer related metrics were in fact showing improvement since 2009 – waiting times almost always less than 10 minutes, complaints against drivers significantly reduced and the industry viewed generally more favourably. I query any positive impact derived from the recent recommendations from IPART to flood the market with new licenses, particularly PALs.

There is a point at which it becomes unrealistic to seek continuing improvements in metrics. The marginal cost to the industry is too great for the minimal benefits obtained.

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

I have previously expressed my views that the types of licenses now in use do not meet the objective of simplifying taxi license structures, nor meet public transport needs.

It is my opinion that only two types of licenses should exist, identified by the colour of the number plate on the vehicle. There should be unrestricted licenses that are able to service all areas and restricted licenses that are not be permitted to queue on city and other selected ranks (eg Parramatta, Chatswood, Hurstville, Bondi etc). This will ensure that these taxis remain in less built up areas to provide a timely service to all. Exceptions to the 'restrictions' can apply for specific events eg New Years Eve.

All licenses should be 24 hour to ensure viability for the operator.

PALs should be phased out and only restricted plates issued in their place to cater for the expanding demand in the suburbs.

I also believe that the NSW govt should sell its holding of unrestricted licenses and control taxi supply only via annual restricted licenses that are geared toward meeting demand in Sydney's sprawling suburbs.

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?

I refer to my comments in response to point 3 above.

In addition, I would comment that PAL licenses have resulted in large numbers of taxis sitting idle between 12pm – 4pm, 7pm – 10pm and after 1am. They also all drift into the CBD or inner suburban areas. This is the result of PAL operators not being able to offer drivers 2 x 12 hour shifts and consequently trying to keep the taxi on the road for as many hours as possible to meet disproportionately higher fixed costs. PALs are very poor policy designed to meet a single objective of alleviating excess demand that occasionally presents for very short periods.

All operators are suffering as a result of PALs and this needs to be addressed as a matter of urgency.

There are now too many taxis in Sydney and all industry participants (owners, operators and drivers) are struggling to make ends meet. Enough is enough!

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

It is regrettable in my opinion that fare structures are not being considered in this review.

Notwithstanding, I will offer my comments in respect to this issue.

Firstly, it is important to note two critical facts in respect to fare structure: a) passengers absolutely detest fees, be they for booking, card use, tolls etc. They do not differentiate between a service fee and an out of pocket recovery. It is therefore important that fees are eliminated or minimised; b) passengers like consistency in the fees they pay for taxi services. A regulated fee structure that applies across the industry works well and deregulating what is a very small component of the overall fare makes no sense at all.

It would be a better use of energy to investigate the possibility of co-ordinating an annual fixed amount per taxi to cover all tolls (including airport) defrayed by a small increase in fares across all taxi trips (similar to how busses operate). In addition the maximum credit card fee should be further reduced to 3% in total (ie inclusive of GST on the service charge currently charged separately) and should only apply to credit transactions only, not debit transactions where customers are using their own funds. This is more in line with the practice by other business that accept payment by card. I also believe that the tariff 2 operating hours should be changed so that it operates from 7pm – 6am Mon – Fri and all weekend plus public holidays. There should be a 20% load on the tariff 1 pricing.

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

Whilst LPG is a major input cost for many taxis, it does not apply to all taxis. Indeed, there is a significant shift toward the use of hybrid (petrol/electric) and to a lesser extent diesel fuels. It is therefore my opinion that either all fuels are reviewed at the time of excise increases or that fuel price reviews only occur as part of the annual fare review.

I thank you for the opportunity to submit my views and look forward to the future stages of the process.

Yours Faithfully,

Silvano Porcaro