

SUBMISSION TO IPART “TRANSPORT — ISSUES PAPER OCTOBER 2014”

SYDNEY TAXIS

INTRODUCTION

THE HOT ISSUE : LEASE FEES

IPART has to lift its game ! Vastly !

The central IPART Issue and for the NSW taxi industry is the blatant outrageous rip off costs of taxi plates and lease fees on operators, taxi drivers and thence all taxi passengers. At some \$28,000 per annum on every taxi . And for which no services whatsoever are provided (bar the use of a taxi plate) !

IPART’s stated proposal is to continue to release more new licences so as to reduce the licence fees by 25% over the next 5 (or now 7?) years.

That IPART program and time frame is ridiculous. And totally ineffective !

- a. Albeit unclear, IPART’s program either terminates in 5-7 years at which point lease fees may be 25% lower to only \$ 21,000 and which is a totally insignificant and ineffective change !
- b. Or, IPART continues to repeat its program say four times until licence lease prices reduce down to 25% at approx. \$ 8-9,000. But this would take about 25-28 years ! Who will still be alive then ? Also a totally unrealistic and ineffective program of lease costs reduction !

A realistic effective program would be major reduction /eradication of licence lease prices within 5 years down to say \$8000. By “capping” lease fees - like the Cabcharge fees - with a tender reserve price of say \$8000/pa (like Hire Cars with much lesser operational costs) and advertised widely to all drivers and operators. Such a program would be realistic, achievable and acceptable to the public and the productive drivers and operators of the taxi industry !

Similar programs have been previously detailed by stakeholders but ignored by IPART.

PRELIMINARY

2014 is the year of very significant taxi industry changes. Including the proposed reduction of taxi plate costs and lease fees, the entry of new mobile phone booking systems, the entry of Uber-X, the capping of Cabcharge 10% fees down to 5% max, and the loss and end of 40 years of influence of Mr Reg Kermode, the “King of the Sydney taxi industry”.

IPART has this year produced an admirably concise, as stakeholders recommended, 2014 Issues Report on Sydney taxis fares and lease fees; some 24 instead of 60-80 pages. IPART still fails however to produce a separate Appendix of the important statistics it has produced in the past. And despite requests, IPART continues to fail to provide an Appendix of brief answers to the many stakeholder comments and suggestions, so as to reduce repetition and wasted effort.

Regrettably, in dealing with such major issues, IPART’s ability, competence and credibility in taxi matters is seriously questionable.

The competence and credibility of any report and questions such as the important IPART “**Transport — Issues Paper October 2014**” on Sydney taxis fares and licences depends on the reliability of the authors at two levels :

IPART’s Competence and Professional Credibility, and

IPART’s Ethical and Moral Credibility.

And regrettably, IPART has failed repeatedly on these criteria ; for example in 3 different years, in what became its petty obsession with the (paltry) Harbour Bridge Return Toll, IPART demonstrated continuing lack of knowledge and obtuse ignorance ; extraordinarily, for 10 years of its taxi fare recommendations IPART was blissfully unaware of the hijacking of its annual taxi fare increases into higher lease fees and plate values ; until 2011/12 IPART was ignorant of the fact that taxi drivers earned a disgraceful average of only \$11/hour (far less than the minimum wage!) ; but since then, morally moribund, IPART has made no serious attempt to rectify this fundamental injustice and taxi industry weakness ; and in listing IPART’s Objectives in 2012/13? for the first time ever, failed ethically and morally in even mentioning the industry’s critical core taxi drivers and their appalling earnings and ‘non-existent’ conditions .

The Attachment below details these and other IPART failures.

Unless IPART fundamentally and demonstrably improves its approaches to the current critical ‘hot issue’ of lease fees reductions then IPART’s ability, competence and credibility continue to be in question.

RESPONSES TO IPART “TRANSPORT — ISSUES PAPER OCTOBER 2014”

1.4 Questions on which we seek comment (IPART 2014 Issues paper page 6)

The issues on which we particularly seek stakeholder comment are highlighted in the following sections. For convenience, they are also listed below. Please feel free to comment on any or all of the issues, or provide other information or comments you consider relevant to the review and our terms of reference.

In relation to the critical issue of lease fee reductions the IPART Issues Questions are of relatively small importance and impact, apart from Q1. They are nevertheless responded to as a courtesy.

Together with some added Comments and Questions.

Comment : IPART /CIE taxi industry model.

Authoritative comment on the (currently revised?) IPART /CIE model is not available from this stakeholder as he has neither used it nor reviewed it.

Nevertheless the model is regarded with some reserve as the taxi industry is surprisingly complex and no satisfactory model of it has been produced before. Similarly, the model appears to deal with complex or controversial aspects of the industry such as “affordable fares”, “reasonable waiting times” and “total number of trips” and “taxi occupancy” rates and others. And many of these factors have yet to be clearly defined and explained by IPART (eg at Q2 below) let alone accurately and reliably modelled.

Conversely however, several of these factors are readily broadly assessable and predictable and do not appear to need complex modelling.

Anecdotally it is understood that the model has serious limitations ; such as its difficulty dealing with driver earnings of say \$20/hour – the equivalent of common cleaners and security staff.

Critically, it is not known if the model has been rigorously tested and proven as efficacious /effective ?

In view of the lack of taxi industry knowledge by IPART, as per comments elsewhere, it is curious that IPART has resorted at all to an arcane, novel, complex and unproven model.

Comment : IPART /CIE 2014 driver and operator Survey.

IPART has commissioned its consultant CIE for a repeat 2014 Survey. Its previous 2011/12 Survey of taxi drivers and taxi operators was immensely important in revealing that drivers earned on average a paltry disgraceful \$11/hour – way below the \$16/hour minimum wage (!), that operators earned very little and, devastatingly, that plate owners had hijacked the IPART annual fare adjustments intended for drivers and operators by unilaterally increasing the licence lease fees over many years !

The purpose of this current survey is questionable given that IPART has failed to act in regard to the appalling driver earnings since the 2011/12 Survey findings.

IPART Question 1 – Issues page 6

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

The Sydney taxi licence lease fee costs of \$28,000/per annum /per taxi are an “economic rent” which for economists like IPART are (rightly) unconscionable and indefensible.

To the public it’s a blatant rip off – fare charges for no real service whatsoever is provided. For taxi operators (who earn little according to the CIE 2011/12 Survey, and about \$10,000/pa/taxi anecdotally), it’s a huge inescapable oncost which they are forced to pass on to the drivers in payin costs per shift.

Accordingly, the IPART question Q1 is morally and ethically disingenuous : the licence lease prices should be reduced, dissolved, disbanded or banned straightaway (as soon as possible, practically/legally) !

The investors of the licence lease prices have enjoyed up to 8-10% profits or more for up to the past 30 years ! No investment in the world guarantees such an investment for no service in return ! Having enjoyed such unearned profits through exploiting taxi driver slaves and serfs and operator minions for 30 years the licence lease investors can claim no moral rights or entitlements if their ill deserved and artificially inflated licence lease prices are reduced - (unless some past Government lease guarantee).

The present IPART time frame is ridiculous. The IPART approach is to reduce the licence lease prices by 25% over 5 (or now 7?) years; namely, either to ONLY reduce lease fees by 25% OR to reduce licence lease prices down to 25% of their present levels in about 20-28 years !! In other words a totally ineffective reduction ! Either way an utterly ridiculous program and time frame ! As also set out briefly in the first paragraphs of this submission.

If not straightaway, then the dissolving or eradication of licence lease prices within say 5 years (or as soon as legally possible) down to say \$8000 pa (similar to Hire Cars with much lesser operational costs) might be acceptable by the public and the productive members of the taxi industry !

IPART Question 2 – Issues page 6

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?

The question is a waste of time distorted by IPART's lack of Issues explanations and obscure terminology.

IPART has not explained or defined the levels of fares which are “affordable”, nor what are “reasonable waiting times” and has not explained clearly how “total number of trips” and “taxi occupancy” might be improved.

Nor, if IPART cannot even significantly reduce the self evidently critical lease fee costs in quick time, then IPART certainly cannot influence these more subtle issues greatly, let alone soon.

IPART Question 3 – Issues page 6

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

It is not clear why more PALS should be released as it is not clear what the “benefits” of more PAL licences are, which, despite their regulatory lesser trading hours, do not receive correspondingly reduced Network fees and Insurances, etc.

IPART Question 4 – Issues page 6

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?

No comment.

IPART Question 5 – Issues page 6

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

No, not yet. The competition for bookings by GoCatch and InGoGo and Uber has some way to play out and for vast Network booking systems, as is readily feasible, to improve significantly in response to competition – to the benefit of the travelling public ! The booking fee at \$2.60 is not a major cost for most pax. While especially for suburban taxis fielding many bookings often covering large “running” distances to the booking, the fee is a small but important part of their costs and earnings.

Better may be a pilot program of specific booking fee variations before any blunt deregulation.

Question 5a – Network Fees ?

The costs of Network Fees are huge but this question has not been raised by IPART because these fees are not regulated. However the obligation of all taxis to belong to a registered Network is compulsorily regulated, but not the huge unaccountable Network fees of \$540 plus per 4 weeks or 13 times per annum ie \$7000/pa which (not surprisingly for many years) have been similar for all the 5 major Sydney Networks.

These Network fees cover little more than some regulatory work on behalf of Transport and the Network bookings services. The costs for new taxis of Network identity decals etc are separate additional sources of Network revenues.

Uber- X (as distinct from the Uber booking service) has the potential of competing as a separate “network”. UberX is not recommended as it uses untrained civilians as drivers and is potentially highly dangerous. The introduction of Uber-X does however suggest that the compulsory belonging of all taxis to a Network may no longer be necessary. All taxis registered officially by their operators with the Department of Transport may be more than adequate.

IPART Question 6 – Issues page 6

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

Yes, they are a major direct oncost to driver small earnings and fluctuate regularly and unpredictably.

Comment : What is the Effect of the Cabcharge eftpos fees cap ?

No mention has been made by IPART of the significant legislative initiative to cap all eftpos fees to 5% by the end of the 2014. That is a huge change to the longstanding Cabcharge fee of 10% on all taxi eftpos transactions and a significant direct reduction of passenger taxi costs.

The effect of this on passengers will be negligible as few pax are aware Cabcharge levies 10% let alone soon 5% and few pax really count their taxi costs (refer previous submissions). But how does this affect IPART's various taxi recommendations ?

Comment : What are the Effects of late night lockouts and closing ?

The 2014 legislated 1.30am lockouts and 3am closing of City bars has had a dramatic effect on the greatly reduced number of late night passengers for taxis after midnight, especially on Friday and Saturday nights. (And with similar effects on those associated with the alcohol industry such bar staff, DJs, security staff etc.)

What is the effect of these reduced taxi work levels on IPART's recommendations for the increased issue of numbers of new licences and other IPART recommendations ?

Comment : What are the Effects of the 2014/15 IRC driver award ?

The Industrial Relations Commission is currently considering submissions from the taxi industry on increased taxi driver payments which could dramatically alter the industrial landscape but which merits no mention by IPART.

What is IPART's position on this and what is its potential impact on IPART's recommendations ?

ATTACHMENT - IPART CREDIBILITY : COMPETENCE AND ETHICS

The Attachment sets out some of the criticisms of IPART in the PRELIMINARY section above.

The competence and credibility of any report and questions such as the important IPART “**Transport — Issues Paper October 2014**” on Sydney taxis fares and licences depends on the authors repute at two levels :

IPART’s Competence and Professional Credibility, and

IPART’s Ethical and Moral Credibility.

Regrettably, in dealing with such major issues as taxi lease fee reductions, IPART’s ability, competence and ethical credibility is seriously questionable.

IPART’S COMPETENCE AND PROFESSIONAL CREDIBILITY.

Since 2001 IPART has recommended annually to NSW Transport on Sydney taxi fares. For some 10 years from 2001 until 2011 it routinely recommended justifiable fare increases in line with costs indices and without very much question from industry or other stakeholders.

IRC Referrals ignorance.

That IPART did not know (circa 2008) and that reminders were necessary from both the NSW Taxi Drivers Assoc’n and the NSW Taxi Council that IPART had to distinguished all fare increases between drivers and operators for reference to the Industrial Relations Commission was an unusual (and later highly ironic) event.

Harbour Bridge Return Toll obsession.

However in 3 different years, 2008, 2009, 2011(?), IPART sought unilaterally – without specific Transport Terms of Reference - to abolish the long established regulatory Harbour Bridge Return Toll. This proved to be an obsession that revealed a profound lack of IPART knowledge of the taxi industry. One year IPART insisted that taxis could return to the City from the north side via the Gladesville Bridge to avoid the return toll. On another IPART disgracefully described the system as “double dipping” (or cheating!) by taxi drivers. And on yet another misread and misrepresented the private tax statistics lent to IPART by one driver by not clarifying that information with him. Understandably, IPART’s ignorant and highly unprofessional recommendations were rejected on each occasion by Transport !

The Plucked Turkey Rort Scandal !

For more than 10 years from 2001 to 2011 IPART was oblivious to the fact that its annual fare increases were not going as intended to the economically productive drivers and operators. But instead were being systematically siphoned off into plate lease increases !

In 2010?, well before the dramatic CIE survey, the NSW Taxi Drivers Assoc'n submission to IPART clearly set out in "**The Plucked Turkey Rort**" how this was contrived. IPART ignored the submission ! It failed to ever discuss it with the NSW TDA, to inquire into it, or to follow it up.

How profoundly ignorant, irresponsible and unprofessional !

The CIE 2011/12 Survey Shocks and Scandals.

The IPART commissioned survey by the CIE in 2011/12 was the shock that IPART needed after more than 10 years of oblivion, of ignorance of the workings and machinations of the taxi industry and its subversion of the IPART fare reviews.

a.Driver Earnings. The first shock from the CIE Report was that drivers earned \$11 per hour on average ! Way below the then minimum wage of \$14 /hour ! For more than 10 years IPART had been ignorant of these facts and it appeared to be shocked. (However, never since has IPART attempted to rectify these disgraceful \$11/hour earnings which continue under the unique and appalling working conditions of constant traffic danger, possible assault dangers, dangerous 12 hour shifts fatigue - or even longer "semis"! -, and non existent overtime and industry non- payment of statutory sick leave and holidays - refer IPART's Ethical and Moral Credibility below.)

b. IPART Fare increases subverted into higher Lease Profits.

IPART seemed to be flabbergasted at the CIE 2011/12 revelation that the annual Fare increases had for the past 10 years or more been systematically siphoned off into higher Lease fees and profits and ever increasing Plate values. Its surprise after 10 years of blind ignorance could be expected. But IPART's response to resolve this scandal – despite the NSW TDA 2010? "**The Plucked Turkey Rort**" warnings – has remained pathetic, feeble and unprofessional.

New Transport Terms of Reference.

The 2012? new Transport **Terms of Reference** were radically encouragingly different from the previous 10 years. They required IPART to reduce fares via reduced lease costs to the benefit of passengers but without "unreasonable impacts" (?) on existing leaseholders.

But IPART has provided no explanations of these dramatically changed ToRs. Nor has it explained or defined "unreasonable impacts", nor alternatives. Nor has it discussed the impact of "reduced fees" on driver earnings !

Nor has IPART canvassed alternative means of achieving the new ToRs. Instead IPART continues to flounder with objectives of reducing lease costs by 25% over 5 years. How utterly ineffectual and grossly incompetent!

Cabcharge fees cap to 5%. No mention has been made by IPART regarding the highly significant legislative initiative of capping the Cabcharge service fees on all taxi fare payments from the usurious 10% of the past decades to 5% by end 2014.

Transport rejection of IPART recommendations. For the first time in living memory of IPART's taxi involvements since 2001, the Transport for NSW department has now for two years

running ignored or rejected IPART's recent annual recommendations. That surely is the biggest wakeup call for IPART to re-examine and recast its methods and approaches ?!

IPART'S MORAL AND ETHICAL CREDIBILITY.

IPART Objectives.

At stakeholder suggestion, IPART in 2012/13? for the first time ever included a statement listing IPART's Objectives in its taxi reports. But amazingly, totally failed to make any mention of drivers, their earnings, let alone conditions, as part of IPART's official Objectives! Drivers which are the core and basis of public taxi services. Has IPART abandoned all ethical and moral obligations ?

IPART consultation.

IPART consultation is a farce. It is an expensive one way issue of IPART proposals to which the public and "stakeholders" may respond. IPART avoids meaningful two way dialogue – to the evident detriment of its understanding of the (surprisingly complex) taxi industry.

IPART public Forum.

Annually, as per the stated Transport requirement, IPART conducts a public hearing. It is however an expensive time wasting one way transcribed farce, where stakeholders and others mainly repeat their Issues paper comments and where IPART neither answers, explains nor discusses or debates in response to comments raised. Hence the public Forum does not contribute to improved understandings of its proposals, and nor does IPART gain improved depth of understanding of the industry from the attendees. A waste of time and public money !

IPART responses Appendix.

Having annually sought public replies on its Issues and Draft paper recommendations, IPART does not deign to reply to the comments and suggestions made. The time consequently wasted by stakeholders because of IPART unresponsiveness is irresponsible.

If, as assumed, IPART reads the responses, then it would be simple to comment, correct or answer each suggestion in (say) a single sentence. A clerk could then simply list the suggestions and replies in an Appendix available to the public. The significance of such an Appendix (as IPART has once done!) is not only great savings of repeated stakeholder suggestions, but also a much improved necessary IPART knowledge.

SUMMARY - REFORM OF IPART PROCEDURES AND EFFECTIVENESS

After 14 years the acid test is what IPART has achieved for the key aspects of taxis ; the public, drivers, operators, bookings services, etc ?

In summary of IPART's Competence and Professional Credibility and IPART's Moral and Ethical Credibility it is accurate to say that since its beginnings in 2001 and since the shocks and drama of 2011/12 :

- In relation to the public and "affordable fares" and improved services, IPART has achieved little.
- That since 2011/12 in relation to improved earnings for taxi drivers above \$11/hr or up to a \$16/hr minimum wage it has attempted and achieved negligibly, if anything at all, disgracefully !
- That in relation to the low earnings of productive taxi operators it has also achieved negligibly.
- That in relation to the critical reduced lease fees issue it has achieved nothing and its current recommendations indicate that it will achieve very little in the next 5 to 7 years – if ever !

IPART is defunct without reform. It is ignorant of the taxi industry, has abandoned its previous ethical moral approach, and recommends nonsensical targets and time frames for critical licence costs issues.

Reform of IPART is overdue ! But achievable substantially !

By adoption of clear proper guiding Objectives and two way dialogue processes as per the above.

A stakeholder discussion BEFORE the Issues paper, SCRAPPING of the expensive useless public Forum farce and expensive unnecessary intermediate Draft paper, replaced with one or two stakeholders discussions PRIOR to the Final IPART paper would greatly improve critical IPART understandings and performance. Together with an Appendix of IPART replies to public comments.

To the benefits of the public and the taxi industry !

Ted Hirsch

6 November 2014