

NSW TAXI DRIVERS **ASSOCIATION**

INCORPORATING BAILEE DRIVERS, OWNER DRIVERS AND LESSEE DRIVERS
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' A Fair Share of a Fair Fare '

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IPART PRESENTATION

Tue 11 March 08

I am Ted Hirsch, Secretary of the NSW TDA.

From the perspective of the 22,000 taxidriviers of NSW and the NSW Taxi Drivers Association, IPART and the Commissioners stand before us today naked ; emperors without clothes.

It is my responsibility to present some key points from our limited Issues paper submission this year to the Commissioners. The NSW TDA was created 3 ½ years ago and we are all volunteers.

Our bannerhead is A Fair Share of a Fair Fare. "A Fair Share" in that we are committed to the interests of taxidriviers. And "a Fair Fare" conveying our concerns for the viability of all aspects of the taxi industry and for the provision of decent public taxi services to passengers.

We are not adversarial. We recognise all sectors of the taxi industry and are more than willing to work with them for a viable, efficient industry that provides a sound service to passengers as an important arm of public transport.

Hence we try to tell the whole story as it is ! To the benefit of all, and sometimes perhaps to the anxiety of a few.

Today we recognise the reputations of the IPART Commissioners and that of Dr Keating in Canberra which precedes him in Sydney.

On the one hand, in frustration, we were tempted not to submit at all this year because our past submissions seem to have fallen on deaf ears. As it is our submission will be limited.

Indeed several of the NSW TDA Committee are present today to make the point and we had considered to come naked, but modesty if not conviction deterred us.

Our submissions and our time today, as volunteers unlike other stakeholders, come directly out of our 60 -72 hours working weeks and earning capacity, or from our critical sleep time. We submitted last year that if IPART and its consultants are well paid for their efforts, then IPART should be able to find some compensation for the sacrifices involved in NSW TDA volunteers making their carefully considered and informed contributions to the IPART process.

We make no apology for this suggestion. Indeed IPART could be seen as exploitative in expecting free services from poorly remunerated taxidriviers to assist IPART in its endeavours.

On the other hand it would be less than generous of us to not come today to praise IPART deservedly for attempting to stitch together some shreds of cover and respectability for themselves : -

- for the laudable initiative of the Survey last year (and the resultant stimulating Issues paper)
- for the MoT in issuing the survey to ALL NSW drivers and operators (against the wishes of some industry stakeholders opposed to any survey at all) and for its magnificent success of 1800 returns – unprecedented in the history of this secretive taxi industry.
- And to ourselves, the NSW TDA on behalf of the drivers of NSW, for our major inputs in expanding the scope of the Survey and our robust support for sending the survey to all drivers and operators !

Two issues are of burning importance to the drivers and hence the industry and cannot be delayed.

1. \$ 21 /hour DRIVER EARNINGS BENCHMARK.

The NSW TDA submits that IPART must recognise a \$21 /hour BENCHMARK for taxidriviers earnings as independent workers who are entitled ;

- to earn a reasonable living wage (or its equivalent).
- similar to other skilled workers (such as bus drivers. And with demonstrably greater skill demands).
- at \$21 per hour (as advertised for bus drivers for the past year, and as examined in the Issues paper, and similar to the proposed IPART wage rates suggested for taxi operators' administration costs)
- for the equivalent of 5 shifts of approx 8 hours each

- (and recognising the daily variations, vagaries and fluctuations in passenger demand.)

IPART must set this \$21 /hour living wage as a fundamental separate starting point and BENCHMARK in its fare assessments. In keeping with the judgement of Justice Higgins in the historic Harvester Case which established the "living wage" as a fundamental of the principles of equity and fairness of our Australian culture !

IPART's treatment of driver earnings as an operator cost is fundamentally misconceived and distorting of the Taxi Model and hence the assessment of taxi fares.

There may be some gasps about this demand. But not from the taxi industry because no one in the taxi industry, let alone operators, pay for driver earnings ! Nor will operators complain about reasonable driver earnings because that may attract more drivers and relieve to a degree the difficulties of operators in attracting drivers to hire their equipment.

It is the public that pays the drivers' earnings. And that throws the question of the appropriate level of affordable "living wage" earnings squarely and fairly in the medium term to be determined in the free market of passenger demand for taxis. Which is where this fundamental question appropriately belongs._

And to this \$21 /hour BENCHMARK should of course be added entitlements, the 9% superannuation loading and the costs incurred by drivers in earning their living. Including the cost of fuel that only the drivers have to pay. And the regulatory nightly \$10 car washes, the traffic fines (an occupational hazard that increases with the length of hours driving - and conversely would not be incurred if not driving at all), losses from runners, lost time in picking up M3 no show passengers, regulatory medical checks, the cost of Driving Authorities and renewals, and of course the capital depreciation of the \$1000 - \$1500 start up taxi driving school fees. If drivers were insured then these would be a tax deductible expense.

Certainly such costs may be considered rationally for minimisation and productivity improvements, but they cannot continue to be ignored and excluded by IPART as driver's costs.

The NSW TDA on behalf of the drivers of NSW demands that IPART adopts a \$21 /hour living wage as a fundamental and separate starting point and BENCHMARK in its fare assessments and recommends accordingly to the Industrial Relations Commission for determination.

2. \$ 1.00 LPG FUEL COSTS LEVY

The PwC Survey found gas prices last year near the 45 cents /litre mark.

Since then gas prices have soared to 55, 65, 75 cents /litre and for the past 2 weeks have been at 65 cents. And of course the drivers have had to wear the costs of these outrageous gas price rises !

Anecdotally drivers are an extra \$50 – 100 per week out of pocket ! Simple calculations confirm that.

In desperation the NSW TDA has sent a letter to the Minister for Transport for a \$1 Gas levy. (A copy of the NSW TDA letter is provided to IPART.)

The NSW TDA argues for the \$1 special gas levy on some of the following grounds :

- as a special levy
- payable as a \$1 levy on each fare (commensurate broadly with the mileages incurred)
- separate from IPART taxi fare assessments
- notifiable with official in-taxi stickers to the public
- flexible, able to be withdrawn if and when fares are appropriately adjusted for gas prices
- at a level coping with current /future prices and for compensation for the past year losses
- implemented to be payable only to drivers

It is noted that Melbourne drivers were prepared to take direct action on the impact of the outrageous gas prices and their demand for a special levy is being considered urgently by the Minister.

The NSW TDA asks that IPART fully support this initiative and recommend accordingly to IRC.

3. IPART MYSTERIES AND MISCONCEPTIONS

Our 'Mysteries and Misconceptions' are a call for major revisions in the IPART approach to fare determinations.

"ENTITLEMENTS". This is not a mystery at all. It is a notorious scandal ! Which IPART is complicit in perpetuating !

Since its inception, at the behest of major taxi industry stakeholders, IPART has insisted on the inclusion of large sums of currently \$4000/driver in its calculations for the purpose of "entitlements".

Supposedly "entitlements" paid to taxi drivers for 5 weeks annual leave and 5-8 days sick leave.

Such "entitlements" payments are a fiction to the 17,000 drivers of Sydney and other taxi areas.

The NSW TDA knows of two drivers, and only 2, in Sydney that are grudgingly paid "entitlements"!

Last year the NSW TDA forwarded to IPART the Transcript from the **IRC 2004 / 544 HEARING on Thursday 10Feb2005 under CONNOR C.** (A further copy is provided today.) C. Connor stated that previous claims to IPART of the payment of "entitlements" were incorrect and misleading!

A major deception of the public, drivers and of IPART for many years !

Correspondingly, last year the IPART Survey found that only 2% of respondents NSW wide received or were paid "entitlements".

Notwithstanding these damning and clear evidences, the Survey consultants and Issues paper this year continue the false charade by considering a "proxy" sum for what is the non-payment of "entitlements".

The NSW TDA is at a complete loss for words !

Other than that this iniquity and gross distortion of the IPART sums be rectified forthwith !

If IPART insists on a "proxy" sum for "entitlements" then it should ensure its universal enforcement !

Alternatively, until such time as it can enforce it, then it must enter any "proxy" sum at ZERO value !

IPART TAXI MODEL MISCONCEIVED.

An essential reason why the emperor has no clothes is that the IPART model is misconceived from the start.

Under the IPART model, contrary to the existing laws of BAILMENT (originating in the bailment laws of handsome cabs), the fixed payments costs attributes ALL risks to the drivers !

The NSW TDA has over the past years submitted an "Average Taxi" Model to deal realistically with the many variables of the taxi fares assessments, but IPART has studiously ignored this most fundamental of criticisms. Indeed, never has IPART favoured us with even an acknowledgement, let alone the time for a discussion on how to proceed to implement it. This is not simply ignoring a criticism, but a surreptitious rejection of a more realistic concrete alternative. A Model of the "Average Taxi" which reflects the reality of earnings and costs, of driving and

operating taxis, and of service to the public, rather than the simplistic distorted IPART operator obsessed costs model.

We describe the Commissioners as emperors without clothes for good reasons.

Since its commencement in its approach to assessing taxi fares,

- IPART has cobbled together taxi industry data.
- It has done so without any in-depth understanding of the industry
- IPART has relied from the beginning on information from the most prominent stakeholders
- which others have known and since submitted to have been demonstrably false

The resultant IPART Taxi Model encapsulates and perpetuates all the worst aspects of the major vested interests of the taxi industry and derogates the 22,000 taxidriviers of NSW to the status of an input cost to be minimised. That Taxi Model is moribund. It has no standing in reality. It has no respect. It has no clothes.

In our Issues submission we refer to the further IPART Myths and Misconceptions of Driver Costs, Driver Earnings as Operator Costs, Owner-drivers as operators, Number of Drivers per taxi, and Waiting Time definitions, all of which significantly distort the IPART analyses.

4. PRODUCTIVITY REFORM

The NSW TDA disagrees with virtually the whole of the Issues paper Chapter 5 on Productivity.

IPART promotes a hypothetical fantasy from doctrinaire economists seeking mythical productivity factors. It promotes these fantasies without an iota of understanding or in depth analysis of these aspects of the taxi industry. And then recommends a totally naïve and arbitrary percentage discount of the assessed and recommended Taxi Fares. A discount supposedly to "encourage productivity" in the taxi industry. And IPART expects that discount to be adopted by the IRC and somehow magically implemented in the taxi industry !

Inevitably of course, the victims of that arbitrary discount, as we know from long bitter experience in this vulturous industry, will be the hapless, defenceless taxidriviers who at the bottom of the heap are the slaves of this industry. Shame on the Independent Pricing and Regulatory Tribunal !

How does IPART imagine that its "labour productivities" might be achieved? By taxidrivers driving faster? Notwithstanding IPART's Survey identification of the impediments of traffic congestion?

In fact the competition between taxidrivers is extreme to the point of danger. Taxis exceed the speed limits to pass another taxi to first get to potential fares. They cut another's water off from the outside lane to the kerb for a street hail.

The NSW TDA however does not oppose genuine productivity improvements. Far from it.

In accordance with its banner, "... A Fair Fare", it strongly supports genuine improvements to the industry as a whole and to customer service, and observes that, generally speaking, industry improvements are likely to be also of benefit to drivers, either directly or indirectly.

To demonstrate that support, we provide two samples of the several areas of substantial productivity potentials that the NSW TDA has identified in its submission :

- NETWORKS COMPETITION. At Issues paper p18 it is held that "In urban areas there is competition between network providers". If this is true, then it is only so to a degree that is laughable to the 17,000 drivers as well as the operators of Sydney.
- There is no genuine competition (Issues p 32) between Networks whatsoever because drivers and operators are compulsorily shackled to Networks by the iniquitous MoT Taxi Regulations - which only last year were again reinforced against the broader interests of the industry. And Networks are therefore a very cosy Cartel of guaranteed fees !

Regrettably the public cannot exert competition pressure on these Networks via their IPART fixed booking fees.

Many drivers do not use the radio booking service, and operators derive no benefit whatsoever.

But genuine competition and service improvement may be possible via two mechanisms.

By decoupling the mandatory bookings and the important safety GPS procedures into, say, a separate centralised safety only network for all taxis. And secondly, for example, by operators paying Networks only for those bookings taken up and realised by their drivers.

- NETWORK BOOKING SERVICES. Networks are increasingly concerned only with extreme cost cutting programs and profit taking at the expense of customer services and driver time and earnings. Booking services, as a significant portion of total fares, could however be improved hugely by dozens of simple, practical and often cost neutral, procedures.

- As the Networks are unanswerable to either the public, operators, let alone drivers, nor indeed in properly reporting to the MoT as required, it appears that major improvements can only be achieved by accountability reform achieved via MoT. This however seems unlikely.
- OR by opening the Networks to genuine competition, as say above. Productivity reforms in these areas are of direct benefit to the whole of the taxi industry and the travelling public.

In its Issues response the NSW TDA has additionally identified Insurances, Fuel efficiencies, Engine efficiencies, Toll Roads, Taxi Plate Deregulation and NSW TDA Advice as measures for productivity improvements.

But until IPART clearly assesses such productivity issues as realistic and viable and then targets them specifically by appropriate mechanisms so as to realise them, then the NSW TDA will continue to oppose arbitrary fantasies in the strongest terms!

5. REGULATORY REVIEW

The Misconceptions & Mysteries and the Productivity potentials above may in a number of cases be appropriately examined in an IPART Regulatory Review.

As we have listed, some 25 of the 57 Issues Questions are matters fundamental to the taxi industry rather than simply being annual adjustments to the level of taxi fares.

It is the view of the NSW TDA that these questions are best examined openly and transparently in the IPART processes through the mechanism of a Regulatory Review, as seemingly foreshadowed in the Issues paper.

The NSW TDA would encourage and support such a Review at the earliest opportunity in 2009.

It also suggests that a week of intense discussions – appropriately compensated - with half a dozen selected highly knowledgeable drivers would be possible and desirable (and more feasible and productive than written submissions) to examine the industry in necessary depth.

6. OPENNESS & TRANSPARENCY

Secrecy has been the characteristic of the taxi industry.

Indeed its basis.

Most of the present taxi industry has been developed secretively behind closed doors.

The developing IPART policy and practice of open and transparent dealings, including its publication of submissions on the web, is highly commendable and fully supported by the NSW TDA.

This openness and transparency policy is beginning to pry open some of those doors !

It may also contribute to improved efficiencies and productivities in the taxi industry.

The NSW TDA has made several suggestions to improve and extend this admirable policy of IPART.

(Finally a brief, telling Anecdote re Ted re "confidential" driver earnings !)

(goes to secrecy, dissembling, driver earnings, driver turnovers, drivers as cannon fodder, IPART Misconceptions & Mysteries, openness and productivities.)

In conclusion we submit our scorecard that IPART has earned points for trying, but that it has a major way to go to gain the degree of cover and garb and respectability to informedly and accurately assess the complex taxi industry issues with equity and fairness.

The NSW Taxi Drivers Association stands prepared to assist IPART in that process.

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