

AUSTRALIAN TAXI DRIVERS ASSOCIATION

SUPPLEMENTARY COMMENT
ON IPART 2008 DRAFT REPORT

May 2008

The Australian Taxi Drivers Association welcomes the release of the Draft IPART Report and the long overdue establishment of a taxi model against which to test and confirm many aspects of the taxi industry – costs and revenues - and to demonstrate full service cost recovery from fares.

We are concerned however that the lack of robust data, other than data supplied by the ATDA covering 135,000 passenger trips, has forestalled the reliability of some conclusions. The use by IPART of selective and unrepresentative information and its refusal to observe the impact in particular of GST payments by drivers from fare revenue has unfortunately distorted the cost recovery analysis, and rendered the model unrepresentative .

The suggestion that the Northbound Harbour crossing fee of \$3.00 be discontinued would not only be unacceptable, but unfair as the vacant return toll paid by a driver is a very real cost and one which unlike toll charges where an alternative route can be used, and passengers sought, has no such option. That it be proposed and recommended out of the blue is also unreasonable. What would be better is that all return tolls be payable. This should be made as an issue to be fully addressed next year – it was not an issue for 2008.

Better still would be a recommendation to exempt taxis from all road tolls in recognition of their Public Transport role.

There are a few relatively minor errors, several unfounded assumptions and a continuing misconception of the costs borne by taxi drivers. The imbalance in weightings against which we have long remonstrated remains a problem, not the least when drivers costs are defined largely as ‘opportunity wage equivalents’ and not as the now able to be calculated balance left from fare revenue after deductions of costs. Why use assumptions when the real numbers are there ?

That driver entitlements are also put as such an opportunity cost rather than as a legal obligation on the operator is an unfortunate demonstration of a continuing failure to fully address the terms of reference.

IPART’s sophistry and invalid assumptions aside, taxi drivers are earning \$13.00 an hour. The 65 cents per fare increase, only half of which will flow to drivers, will have already been paid out in fuel price rises, and the current, mid May, LPG price of 69 cents makes a mockery of a fair fare.

Result ZERO and a mockery of IPART’s obligations. Cost recovery is a myth.

The Invalid Assumptions

- 1. Hours Driven.** IPART has taken the PWC results of a limited number of day drivers who report working, and usually as owner/drivers, nine hours a shift. This is not representative of night drivers, who, as evidenced by varying pay-ins would necessarily work the full twelve hours they pay for, and especially so when there are fares to be picked up. To ignore the reality that on a Friday and Saturday night a significant number of cabs are on the road until the 3.00am end of shift is to belittle the efforts and workload of taxi drivers. It also puts in doubt the 15% of fares then elsewhere assumed to be on Tariff II. By assuming only ten shifts a week the average of hours is also affected. The ATDA stands firm on a 10.6 hour average shift. We suspect that the motivation for incorrectly reducing total hours is to surreptitiously inflate hourly rates.
- 2. Jobs per shift.** IPART has taken our statistically correct figure of 19 jobs averaging over 13 shifts and applied it to the 9 hours over ten shifts which then invalidates the effective weighting, which under that new scenario of five day and five average night shifts should be reduced to 17.5 jobs per shift.
- 3. LPG Usage.** IPART has taken the 5 kilometers per litre quoted years ago by the Taxi Council Limited, which may well be valid as Highway average, but which does not account for use of Air Conditioning , poor calibration of “base” cabs, nor most importantly , for the now conceded extra Waiting Time. The taxi may use less fuel when idling in heavy traffic, but the engine is still running and some consumption takes place. The ATDA stands by a 4.5 kms/l usage. At this point we would add the unambiguous upward price trend of all fuels and suggest that the March to March movement significantly disadvantages the driver and that a one off base setting of 70 cents be used to more adequately reflect actual costs, and correct weightings.
- 4. Kilometers on Distance Rate.** IPART has, in its average fare calculations, noted the average paid distance of a fare as 7 kms. This is valid as such but is not the usable component for the average fare calculation. Evidence of over one hundred and thirty five thousand cabs trips would dispute this figure, and more, should require IPART to take into account the only taxi related data available of 5.55 kms. Notwithstanding, and bearing in mind the additional Waiting Time now included, of which the ATDA calculates 1.5 to 2 kms are kilometers part of the total trip traveled at Waiting Time rates, the distance rate component of the average fare must be calculated as only 5.55 kms of the 7km total. This can be validated by meter readings ; IPART instead has massively double counted and obtained an average fare in excess of actual, for perhaps no better reason than to surreptitiously again increase the drivers purported fare earnings.
- 5. Operator Cleaning Costs.** IPART has included an amount of \$1825 for regular urban taxi cleaning which simply does not occur, as it is a driver cost, but which serves to continue a weighting imbalance. Since Operators generally fail to meet their other legal obligations perhaps IPART might recommend to the IRC that cleaning be an operator responsibility ?

6. **Other Drivers' Costs.** Without other than an inferential add-on for a notional two hours administrative cost added to the PWC recommendation, this item should be the subject of review and explanation. IPART has bundled the cost per single driver as \$3328 including the cleaning of taxi and uniforms (\$2080) and added we know not what into a per taxi cost of \$4997. The relatively clear and ascertainable cost of a nightly wash, let alone the driver downtime as a part of his hours 'on road' are alone in excess of \$3000 per taxi.

We have not, with our limited resources, and an admitted lack of evidentiary data, been able to provide IPART with the level of information it requires for a detailed analysis of Driver's Other Costs. However, IPART in so many other areas is content to rely on unfounded assumptions and the entirely suspect conclusions of the flawed PWC survey. In previous submissions we did supply considerable and well argued information – which for over seven years has been ignored. And IPART appears content to prolong the absurdity, and to refuse inclusion of self evident driver costs.

Drivers wear uniforms and as a legal requirement they are supplied by the operator. The two drivers go through about ten shirts, four trousers and several pullovers or jackets a year. Up to 2007 the Taxi Council Limited put this cost at about \$2500. This year, out of the flawed PWC, it's down to \$275. That may well be all the average Operator pays. But then whoever else-the driver- provides the uniform should claim the remaining \$2225.

Where are the "opportunity costs" of fare evasions and robberies? Where are the "opportunity costs" of downtime to attend Police Stations and Courts for Assaults? Where are the "opportunity costs" of a self employer providing meals in the course of a twelve hour shift. Why is IPART so determined to ignore the costs to a driver of operating a taxi service ?

The hocus-pocus that IPART vacillates between observable / verifiable costs and cost index movements over time serves no purpose other than to obscure reality and distort cost weightings. 2008 was to have been the year to review actual costs.

7. **Single Operator Model.** IPART needs to go beyond the very limited data provided by PWC and observe the reported data provided to the 2000 IPART / Parry Inquiry on cars per operator as well as information previously submitted which establish an average of 2.2 taxis per urban operator. This reality impacts on the Operators costs per taxi in a manner which must put IPART new conclusions into doubt. The partial mention of an Operator profit margin remains a complicating issue.
8. **Maximum IRC Pay-Ins.** IPART has determined to use the maximum Method II Pay-In as the amount paid out of fares by the Driver for bailment of the taxi from the Operator. That this does not reflect reality is a problem, but it was perhaps the only way in which IPART could create (surreptitiously) an income flow in excess of the determined cost / expense flow. It was still necessary to shift the legal obligation and cost of entitlements from Operator to Driver to get the numbers right, and to go back to a raft of "opportunity costs" to try and obtain the desired hourly rate.

9. **GST Obligations.** IPART continues to ignore the very real cost component of GST payable by Taxi Drivers on that portion of total fares received net of evidentiary Bailment Pay-ins, Fuel and Wash. Ten percent of that retained revenue, (less what a driver can properly establish as his “other” costs) must go as a tax payable to Government.

It is not calculable as an included part of his “Notional Wage”.

But for IPART to scrape together items, surreptitiously as ever, to obtain the magical \$21 per hour, it is necessary to ignore the GST implications.

10. **The Bundle or the Bungle.** IPART has constructed a model based on a series of quite invalid assumptions, and which are not proven by empirical data to sustain a scenario in which the Taxi Drivers operating costs and labour inputs are minimized, and the taxi fare revenue per job is inflated, such that it can, quite improperly, claim driver cost recovery.

Elsewhere IPART acknowledges an obligation to ensure that the taxi fare recovers the cost of providing the taxi service. In 2008 it has, commendably, gone to some lengths to demonstrate that an average fare of \$20.83 would cover the costs of both Operators and Drivers. We agree, that if that were the fare, and the driver were able to average 21 jobs per shift, and that the taxi is on the road for 650 shifts, then all verifiable costs would be covered.

But, the average fare, with the proposed increases, and when that portion of the seven kilometer trip run on Waiting Time is correctly calculated, is only \$18.23.

And on a ten shifts a week basis of 17.5 jobs per shift the gross revenue would be \$319 per shift or \$165,893 per annum. At 19 jobs, revenue is \$180,112

Further, assuming the figures proposed by IPART of total cost / revenue of \$198,540 and deducting the IPART determined figures of Pay-in of \$85,500, Fuel of \$13,712 and Other Driver’s Costs of \$4997 the net retained revenue (before GST deductions) is \$94,331 or \$19.41 per hour on 4860 hours. From this, according to IPART 15% goes as his notional entitlements, 9% as Superannuation leaving \$15.00 an hour.

But all these numbers are erroneous, and they do not count real costs.

IPART’s number manipulations simply do not work, and on 10 shifts a week the industry is not sustainable. We at the ATDA call on IPART to firstly do its sums, and secondly propose a fare which covers the costs of providing the service.

The \$13.00 an hour currently earned by a driver is all that he is getting. It is less than the minimum wage. It is less than the \$16.95 award rate. He does not get Entitlements or Superannuation, notional or otherwise. He certainly does not have an earning rate of \$21 which is claimed by IPART to cover the award provisions and a self funding of his operators obligations.

The Average Fare IPART 2008									
			Current IPART Fare		Proposed IPART Fare		Actual ATDA Fare	IPART Proposed Fare on Actual	ATDA Proposed
	Per Trip	Rate	\$		\$	Per Trip	\$\$	\$	
Flagfall	1 drop	\$3.00	\$3.00		\$3.10	1 drop	\$3.00	\$3.10	\$3.50
Distance Rate	7 km	\$1.79	\$12.53	\$1.85	\$12.95	5.55 km	\$9.93	\$10.27	\$11.95 (\$2.15km)
Waiting Time	5 min	\$0.77	\$3.85	\$0.795	\$3.98	5 mins	\$3.85	\$3.98	\$4.50 (\$0.90m)
Tariff II	20% on Distance	4.7% of DR	\$0.38		\$0.40	20% on Distance	\$0.46	\$0.48	\$0.55
Booking Fee	1 in 5 \$1.60	\$1.60	\$0.32		\$0.40	1 in 6 \$1.60	\$0.27	\$0.40	\$0.50
Total Fare			\$20.08		\$20.83		\$17.51	\$18.23	\$21.00

IPART has a global picture which is substantially correct.

The model Taxi travels 130,000 kilometers a year and does 19 jobs a shift over an average week. The average trip of 13kms includes seven kilometers paid, and Waiting Time rates for 5 minutes.

However, one and a half of those kilometers are traveled whilst on Waiting Time, and the driver is on the road for 10 hours and forty minutes per shift. The cab does 650 shifts a year.

On that basis the taxi industry functions; but it relies on sub-standard rewards for the average driver. In no way does it provide the \$16.85 award hourly rate, let alone any provision for the lost opportunity costs of Entitlements or Superannuation.

The total revenue is now \$209,750 and actual pay-ins are \$87,350, Fuel and Wash costs \$23,862 and the driver incurs about \$7500 costs and pays back GST of \$7586. The several drivers take home \$83,451 and their hourly rate is now just on \$13.00

If IPART is to fulfill its self recognized obligation to recommend a fare which covers the cost of providing the taxi service, then that fare needs to be a real \$21.00 fare based on actual rates. It cannot be inflated by dummy extra kilometers per trip, nor by artificially reducing hours worked.

The ATDA states unambiguously that it will take all possible means to require IPART to meet its Terms of Reference and recommend a fare which covers all verifiable costs of providing the taxi service. At the least an increase of \$2.50 per trip is required, and a direction that the full increase flow to drivers, as well as recognizing the need to increase productivity by two jobs per shift.

Some Other Comments on the Draft Report

- 1. Premium Service Booking Fee.** If the market participants are to define their own notion of a premium service, then the limitation that it be only payable when booked through a network is unreasonable, given the delivery service standards results below. IPART makes no comment as to a suggested or maximum fee.
- 2. Service Standards.** IPART has managed to obtain Taxi Network Key Performance Indicators, and remains as incapable as is the Ministry of Transport at reading the definitions and interpreting the results. From the data only 64.57% of bookings were picked up in less than 15 minutes. Not 93.3%.

Just on 80% of jobs accepted by drivers were picked up within 15 minutes.

The conclusion is that drivers are doing their job but Networks are failing dismally, and historically, has failed consistently for years.

That two and a half million passenger bookings go into limbo a year is a further indictment on Network standards. Unfortunately the quality of Network performance is not a function in fare setting.

IPART notes complaints and compliments without comment, although the serious complaints are 156 in over 50 million trips or one in 32,000 trips. The MoT has still to confirm if even these were substantiated. There remains no way for a driver to lodge complaints against a passenger, and in view of the Madden Report demonstrating 130,000 fare evasions, 4000 assaults and 5000 robberies per year, a bit of balance would be welcome.

- 3. WATS.** IPART continues to pussyfoot around WATS fares. The ATDA is firmly opposed to a fare funded incentive payable by passengers. We affirm the proposition that the \$25 per trip incentive comes from the Nexus Plate funds obtained over many years by Networks, and that all disabled passengers pay for the trip only, less the 50% TTSS and not for the loading costs that are not paid by standard passengers.

We agree that an open assessment needs be made of the WATS service. The statistics belie recorded service reports from passengers, and the lag in pick-up requires explanation. Is there a real delay or is the pre-booking time lag the reason ?

The ATDA would again suggest that the TTSS scheme be modified such that the fare cap be a maximum payable by the passenger of \$30.00 and not the other way. There is an enormous disadvantage to a WATS user whose circumstances otherwise dictate his or her living away from the CBD. Our society surely should have a degree of generosity for its

disabled citizens. We regretfully note that IPART ignored our suggestions first time and humbly request that they do better.

4. Productivity. Within the gobbledyook of its productivity arguments we are still unable to comprehend IPART's reasoning. At best we think that IPART is claiming that a 4.1% increase in the Transport and Storage Industry Gross Value Added per Hour worked is a substantive reason to reduce the increase in taxi driver hourly earning rates.

Perhaps other bureaucrats also unilaterally redefine hours worked.

We remain perplexed as to why, in any case, an improvement in productivity should be used to reduce the capacity to earn of the worker who has improved productivity.

4. **Tariff II.** IPART has requested comment on the impact of the Tariff II surcharge, and for several years the ATDA has supplied data on the Tariff II component of fares on a shift by shift basis which confirms a factor of 4.7% of distance rates on the average fare, and about 15% of fares are on Tariff II.

However this is only the case when all night shifts are worked, and for hours considerably in excess of IPART's nine hours.

Commonsense alone would dictate the need for a driver to stay out for those "longer and unsocial" hours for which reason Tariff II was introduced in the first instance. Unless the 10.6 hour average is adopted, the inclusion of a Tariff II component is invalid.

Where, in IPART's collective wisdom, are the calculations applied to Country fares that take into account the fare reductions applied to resolve application of Tariff II to weekend or Public Holidays. If IPART is minded to require the ATDA to supply data to back up a *prima facie* reasonable proposition that 'out of hours extra work attracts an out of hours extra rate', then it needs back up its own assertions.

6. Return Tolls. IPART has suggested that a return toll not be payable on Sydney Harbour crossings. The reason originally was that there was no effective alternative route to cross the harbour other than the Harbour Bridge. All other toll ways can firstly be avoided, and secondly, the alternative routes offer a possibility of picking up a fare.

Given the geo-centric nature of the Sydney CBD, most cabs return to the CBD as a default best pick-up choice. We suggest that IPART take positive steps to obtain an informed view, as well as one based from the driver's perspective. On a Friday night the \$3 extra on a night on the town for one passenger would add \$30 to the Drivers "other costs". It might even verify such 'other cost' items as taxi wash costs from a late night visit to any one or all eight Alexandria Taxi Wash's.

7. Security Cameras. In the 2008 review IPART has neglected to raise as an issue the legal requirement for all Taxis to be equipped with a security camera system. The cost is currently buried deep within operators other "other costs". But as of May 2008 an operator exercising the choice of an independent and better functioning camera system is paying \$145 a month lease over three years with additional costs for downloads.

Given that all Country Cabs will be faced with a substantial installation cost, could not IPART have had the foresight to raise this issue and soften the cost burden ?

8. Superannuation. Another year passes and IPART fails again to nominate a portion of the fare clearly referring or dedicated to Driver Superannuation. Again the IRC will claim to be unable to do its part and set Superannuation into the Contract Determination.

Conclusion. IPART has got it wrong. It has dummed up the average fare and dummed down the hours worked to produce a model which it claims recovers the taxi's operating costs. But it has at last put up a model, to test against reality.

In order for the operating taxi unit to fully recover costs from both driver and operator requires an average fare of \$21.00 based on seven kilometers of total hired distance per trip, and allowing for 5 minutes of the trip to be traveled at Waiting Time rates, with 5.55 kilometers traveled at Distance Rate. 15% of fares are on Tariff II and one in five trips is booked.

The cab is on the road for ten hours and forty minutes a shift for 650 shifts a year. Productivity improvements are required over the next year to increase the average number of jobs by two to 21 per shift such that the taxi driver has a net hourly rate of earning of \$21.00 per hour and includes a provision for self funded Entitlements and Superannuation.

IPART should determine an average fare with a Flagfall of \$3.50, Distance Rate at \$2.10, Waiting Time of \$54.00 per hour and a Booking Fee of \$2.50.

Anything less than that will not give all participants a fair share of a fair fare, and nor will it fulfill the obligation on IPART to set a fare which covers all of the taxi service operating costs.

Michael Jools
Australian Taxi Drivers Association
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