

AUSTRALIAN TAXI DRIVERS
ASSOCIATION

Submission to IPART

April 2009

Taxi Fare Review

The ATDA rejects the IPART process as a totally flawed and deficient review of the Taxi Industry and of its obligations to recommended fares that cover the costs of operating a taxi service.

- IPART says the average Taxi Operator costs are \$3000 greater than his revenue. The Taxi Council Limited says that the operating loss is \$10,000. Either way it makes nonsense of a fair fare setting process, required to cover operating costs.
- IPART claims that a taxi driver's hourly "wage" is \$20.29 per hour. But it's at his own cost to deduct 11% for GST, and up to 30% for Annual Leave and Sick Pay or Casual Worker's loadings, Superannuation and Long Service Leave. The way IPART doesn't count the cost of fuel used when the taxi is "waiting", or fairly cost driver operating costs reduces this by another \$2.50 an hour. The real take home income, before tax, is less than \$12.00 an hour.
- IPART has been misled by the Ministry of Transport and wrongly states that 92.2% of booking are picked up within 15 minutes. It's still only about 65%, or 20% below the minimum standard.
- To achieve a fair fare in the current economic conditions, in which the number of jobs is already down by 10 to 15%, is not possible. Any substantial increase will simply further erode our already inadequate income. The ATDA proposes the least possible increase such as covers drivers cost increases – not more than 2.5% or 50 cents a trip.
- The ATDA will be vigorously advancing the spread of www.taxi.net.au as an out-of-the-square solution which better serves passengers and drivers by reducing the credit card surcharge – not within the ambit of IPART, giving a fair share to taxi drivers – 2%, and increasing potential access to customer offers – a few extra jobs a shift.

After seven years of IPART's being unable to correctly ascertain a model of the Taxi Industry reflecting revenue and costs of all stakeholders such that a fare can fairly meet those costs from achieved revenue and provide the essential of a premium quality taxi service for all passengers, we must do it ourselves.

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2. Introduction to ATDA Submission 2009

In preparing the ATDA submission for IPART in 2009 we are immensely concerned at the direction apparently taken by IPART in its annual review of taxi fares.

As little as ever before are the costs of providing the services being examined. Rather we are reverting to a Consumer Price Index / Wages Index add-on to a specious Cost Index. Still there is inadequate testing of costs against revenues. And significant cost items remain ignored. IPART has claimed a major review last year, such that for the next four years, its reviews can be mere mathematical exercises. That would be valid if the cost index were itself valid and based on a comprehensive survey of industry costs and revenues.

In the Terms of Reference under which IPART reviews the taxi industry and makes taxi fare recommendations there are eight items to be considered:

The protection of consumers from abuse of monopoly power remains in the never considered basket. This coming year the ATDA is strongly supporting independent monopoly breaking developments.

Cost reductions from greater efficiency have been imposed out of inappropriate measures of national productivity, and in situations where a taxi driver has been unable by his efforts to modify taxi usage patterns.

IPART accepts cost increases imposed which relate capital and borrowing requirements such as Plate Lease Costs determined unilaterally by major stakeholders beyond the perceived purview of IPART.

It fails to be proactive in its ecological sustainability role by a total disinterest in fuel efficiencies or possible vehicle design development.

It makes no real effort to proactively pursue its recommendations on the social implications of its determinations, especially as related to WATS, and appears to rely on a once a year comment.

In examining standards of quality, reliability and safety it remains totally hoodwinked and bamboozled by falsified data supplied by the Ministry of Transport. The safety of taxi drivers themselves is a matter of no concern. The cost to drivers of a lack of safety is nowhere a consideration.

Of all the eight statutory requirements for consideration, only the effect of its pricing recommendations on Government are reasonably considered. In this area there are no pre-determined positions.

Our concern also goes as to the result we are seeking. In the financially troubled times of 2009, to achieve a fair fare increase, and the rebalancing of revenue sharing which is long overdue, would be counter productive. The reality in which any significant fare increase immediately results in a decrease in patronage is now more likely to be a prolonged reduction in usage.

There would be little gain in a fare increase matched by lesser fares. No increase is still worse.

But costs have increased for both Driver and Operator. Since the submission of the Taxi Council Limited, average Plate Lease Costs are over \$600 a week (inc GST). Fuel has been stable, but market rate Pay-ins have gone up. And patronage is down on Monday to Thursday.

If, however, we take the conscionable approach and seek to defer a fare increase until a future economic recovery, the taxi drivers of NSW will remain disadvantaged. In the scenario where a stakeholder in our industry can unilaterally increase a cost input – and in all probability conceal that increase from the flawed “cost index”- such that other stakeholders, driver and operator, cannot recover those increased costs, we remain on an impoverished \$12 an hour.

The somewhat specious past reasoning by IPART that drivers net \$20 an hour needs to be rectified. Take off \$2.00 for GST as a starter. Add on two hours of on-the – road work time a shift. And correctly count the costs expended by a driver. Properly count fuel and wash costs. Etc.

As it stands, the Taxi Industry is the only unsubsidized mode of Public Transport. Where a subsidy appears to exist, as in the long term trial of a TTSS \$8.49 allowance for wheelchair passengers booking through the Zero 200 Network, but which actually is paid out of otherwise dedicated funds extracted from Taxi Operators Accreditation, there is funding directed at the passenger and not at the driver.

Overall, there is a dilemma. Increase fares reasonably in relation to actual cost recovery and see a decrease in the number of fares which negates any fare increase in terms of driver income.

So, what are the alternative possibilities ? Explore issues of driver subsidies. Explore issues of reducing driver costs. Explore issues of increasing driver productivity. Explore issues of restricting monopolistic exploitation on plate leases, and other external cost impositions.

The one issue which taxi drivers can take on themselves is to increase their own productivity. The ATDA is of the view that this is a vital area of taxi driver activity, and fervently wishes that improvements achieved be a bonus for the driver and not a reason to reduce fare levels.

The single issue is an increase in average hirings per shift.

On the way to achieving that goal, the taxi drivers of NSW will still require the nominal security of a fare increase. Such information as has been made available indicates that an increase of between 3% and 5% would reflect cost increases.

Such an increase would not reflect the actual costs to either driver or operator, nor would it account for revenue reductions likely to occur as a function of current economic conditions. But without a modest increase we fall even further behind in any notion of a fair share of a fair fare. Our suggestion is for the least possible increase of 2.5 %, coupled with a few strong comments as to cost increases unilaterally imposed by interests not subject generally to assessment by IPART.

3. The Fare Structure

Generally the current fare structure is balanced, and we would agree that, subject to technical rounding requirements, any increase be applied equally.

There are three exceptions :

Waiting Time

IPART made the comment last year that Waiting Time represents a floor for driver earnings, and to ensure that minimum costs are covered. We agree.

Given the assumptions made by IPART, a period of nine hours, being the average shift should then, on Waiting Time, cover the average shift's costs. The average cost per shift, extracted from Table 7.2 with a total of \$200,015 over 520 shifts is \$384.65 per shift or \$42.74 per hour. At the current rate of \$48.00 per hour it would appear that costs are covered.

However, IPART notes and confirms that about half the time a taxi is on the road it is vacant, and that to an extent this is appropriate to ensure availability for hire. The recovery of costs is therefore required to be made over only about four and a half hours, or at the rate of \$85.48 per hour.

Manifestly, the costs of operating a taxi are not covered whilst on Waiting Time.

The ATDA has over several years made this point, and, has also noted that a substantial increase would not be commercially acceptable.

Given also that fare revenue from Waiting Time represents about 35% of revenue excluding flagfall it is vital that the driver recovery of costs be reflective of that quantum as well as the agreed congestion related increases.

Our suggestion is that the Waiting Time component be rated at a greater increase than any other component, and that it be not calculated within the average increase until such time as a fair balance is achieved.

Tariff II / Late Night Surcharge

The ATDA maintains that the late night surcharge, represented by Tariff II, should also be a surcharge on the Waiting Time rate. It is inequitable that a significant component of the fare obtains a lesser increase than any other component by excluding it from calculations. IPART's comment that such an extension, and an extension to Sundays and Public Holidays would require a reduction elsewhere are erroneous as the effect is not on costs but on revenues not ever included in the TCI.

It remains inequitable that one class of driver, in the country, is accorded this measure of wage justice, and his fellow in the city is not. The aggravations of unsociable working hours and safety risks are mostly a function of late nights and weekend partying. This is precisely where the compensation is required.

Premium Taxi Service Surcharge

Last year IPART examined and received submissions on the issue of a Premium Taxi Service Surcharge. It then recommended a trial of a fee / surcharge to be negotiated to a maximum of \$11.00 for a specifically booked premium service taxi. That recommendation was rejected.

This year the Taxi Council Limited has not raised the issue – the ATDA does.

It is not an issue of importance for Networks; if for no other reason than that they would derive no additional profits. It is a matter of great importance for drivers and owner / drivers of premium, long wheel base, taxis who currently pay higher network fees, insurance, vehicle leases and repair costs. Fuel consumption alone is an extra 15%. And it is a market reality, accepted by passengers who are prepared to pay extra for the several services provided.

Those services include a taxi with sufficient leg room in the rear compartment, a better standard of seats and fittings, audio / visual services, a driver who knows where he or she is going, and more often than not a regular driver who knows the passenger's requirements.

It also means a taxi ready and waiting at the booked time and place.

IPART has been consistently deluded by falsified statistics from the Ministry of Transport – and again this year- as to the Standards achieved by Networks in ensuring that 85% of passenger bookings are picked up within 15 minutes of the booking. Aggregated data in previous years', clearly shows that only about 65% of passengers' are so serviced. There is no good reason to assume that 2008 / 2009 is any different since the reported data remains consistent with the key performance of drivers.

From the personal experience of the writer, the majority of bookings for premium taxis are 'forward bookings' which necessitate positioning the vehicle and waiting for the passenger. They are not, to the same quantity, random bookings for the nearest cab. Accordingly, for the majority of premium bookings the taxi is there and waiting, and will have incurred a degree of unpaid running time to ensure his promptitude. Increased costs.

To be sure, and has been noted in prior ATDA submissions, all of this develops a higher productivity and thus a greater revenue stream for drivers of premium taxis. The increased costs of operating a premium taxi reduce the net benefit in real income to no more than about 15% more than that of the long term skilled 'standard' taxi driver.

The ATDA strongly recommends that a "premium service fee" be negotiated and agreed with a passenger at the time an offer is made to hire a taxi, and that the service fee agreed form part of the taxi fare.

4. Missing and Distorted Cost Items

GST.

Since the inception of IPART reviews there has been a consistent and continuing refusal on its part to consider the implications or even existence of GST responsibilities as a cost factor and revenue deduction for taxi drivers. This has led to an over-estimate of driver earnings, which as in last year's Final Report came out with an hourly earning rate of \$20.29.

Taxi Drivers are required to remit to the Australian Tax Office the GST included, and receipted, within the taxi fare, less amounts deductible as GST inclusive expenses. The principal such expenses are taxi pay-ins and fuel, but a wide range of other expenses are deductible on a less than daily basis.

Certainly, the GST factor is included in both Pay-in and Fuel cost items, but the liability to pay from the balance of total fares is a significant and very real cost to the driver.

When will GST be included as a driver cost ?

FUEL.

The ATDA has long suggested that part of the total distance travelled by a taxi is travelled on "Waiting Time", and in previous submissions has noted that about one kilometer of the trip distance is not on "Distance Rate". IPART has determined, and without any substantive evidence, that the distance travelled on Waiting Time is negligible, but it has acknowledged that over 30% of the taxis hired time is at Waiting Time, and that about 50% of on-road time is whilst vacant. It also notes an increase in such time due to road congestion.

At issue then is, (unless there is a miraculous energy saving device already in use such that a taxi, idling, consumes zero fuel) how much fuel is used by the average taxi whilst on "Waiting Time"?

In-vehicle computer systems now have quite sophisticated fuel usage measures, and the observation, which can be verified very easily by IPART, is that an idling Ford Falcon Taxi Cab consumes LPG fuel at between 1.5 and 2.0 litres per hour, and that, when Air Conditioning is used, the rate increases to between 2.5 and 3.0 litres per hour.

Since, on even the erroneous nine hours per shift this represents a low average of 6 litres per shift of fuel consumed at Waiting Time Rates, where is the cost inclusion of over 3000 litres of fuel annually, or in excess of \$1500 as a direct cost to the taxi driver ?

Nor has IPART ever considered the issue of fuel usage in terms of kilometers per litre. Despite several refutations of ATDA data on this, and other taxi statistics, there has been a long and unquestioned reliance on the unsupported assertion of 5 kms / litre in the PWC original estimates. Never has the fuel increase resultant from operation of Air Conditioning been considered, nor the fact that, since it is not an Operator cost, there is no incentive for the operator of a base car to properly maintain fuel efficiency. On a summers' night the recorded averages can fall to 3 to 3.5 kilometers per litre.

Cleaning Costs

One of the very few and apparently unambiguous costs is the daily cost to the driver of washing and cleaning the vehicle. This item is enshrined in the Contract Determination and the Passenger Transport Regulations, and currently costs an average of \$10 per taxi per night. On the assumed 260 night shifts that is a clear driver cost of \$2600.

Yet, on the basis of five presumed owner drivers who responded to the flawed PWC survey, and who counted that cost erroneously as an operator cost, IPART fudges the cost index. Why ?

Driver Operating Expenses

Over the years our attempts to have a reasonable assessment made of the taxi drivers actual operating costs have been derided and dismissed. IPART is prepared to manipulate otherwise clear costs inputs (such as the daily cleaning costs) and deny manifestly obvious costs on that basis that we have not substantiated such items. If so minded we could point to a number of Operator cost items admitted, varied and downgraded without substantiation.

It may be difficult to quantify the cost of fare evasions and robberies; but IPART's willingness to adopt "notional" values can certainly be applied to these items.

That no consistency has been applied to the full range of costs, and that many are now lost in "others", does no service to the standards or rigor of IPART's reviews. That there is now a dearth of data and the substitution of percentile increase in indices is totally unsatisfactory. Why is there nowhere a statement of the value of LPG in cents per litre.? What a mockery is in the statement by IPART that it relies on the Taxi Council Limited to provide stakeholders with sufficient information to make submissions. Better to ask the fox how to fence the chicken yard.

Hours of Operation

IPART has determined that the average hours of operation are nine hours per shift on the basis of the flawed PWC survey responses of a few day drivers. The Contract Determination determines a minimum of nine and a maximum of twelve hours bailment to define a shift. Commonsense determines that a driver paying in excess of \$20.00 an hour to bail the cab, is going to work it all twelve hours on a Friday or Saturday night. He may quit early on a dead Monday night, but the average cabbie does not throw away his hard earned money.

To assume a nine hour shift has enormous consequential implications on every other data point, and is simply erroneous. The average is 10.25 hours.

Number of Trips

The first consequence is on the number of trips. Data previously supplied to IPART has substantiated an average of 19 trips in a 10.25 hour shift. There are substantial variations to that average as validated by the IRC established maximum kilometer rate per night, and even more by the nightly variations in maximum pay-ins.

Our Concerns

There remains what the ATDA reluctantly concludes to be an anti-driver bias in IPART's deliberations. Costs claimed on behalf of taxi operators are admitted without much validation.

Costs documented by the driver's representatives are ignored or discounted.

To ignore statistics from several million taxi trips on the basis that they are predominantly from one geographical start point of operations (Alexandria) ignores the reality that cabs operate across the Sydney Metropolitan Area and there is absolutely no predictability of destinations. It ignores the reality that Sydney Airport (adjacent to Alexandria) produces 15 to 20% of all trips. It ignores the reality that over half the cabs in Sydney operate out of that Alexandria area. What it does is to reject from proper consideration most of the only substantiated analytic input of taxi statistics.

IPART has however selectively used our 19 trips per shift as a prime reference – but taken up the manifestly erroneous conclusion from PWC that a taxi works only nine hours per shift. Unless the reality data of which day and which night shifts are to be included in the 520 shifts per annum, the model falls over. IPART compounds the error in concluding that 20% of trips are on Tariff II, which would be an impossibility if the average hours were nine per shift. Data supplied by the ATDA supports a 20% conclusion only where late night hirings take place in the context of a twelve hour shift on Friday and Saturday nights.

The logic of a driver paying up to \$230 for a Friday night shift and working only the nine hours from start of shift is totally flawed.

The one issue which taxi drivers can take on themselves is to increase their own productivity.

5. Taxi Productivity

Taxis operate in a significantly inefficient manner. On average they are vacant for half the time and distance on the road. With an average capacity of four passengers they typically carry 1.8 passengers. The current network structure in Sydney (and elsewhere) proscribes forward planning as, generally, the driver can obtain fresh work over the 'radio' only when vacant and in his immediate location. He can only 'see' available jobs from within his taxi. Due to antiquated regulations he effectively must risk fines in concluding a credit type transaction at the end of the trip, at a place where, too often, it is illegal to stop. He can't get the fare up-front to minimize the ever increasing risk of a 'runner', and nor, despite the very limited improvements to taxi camera installations has the probability of prosecution of a fare evader increased.

Yet the mathematics are that one incremental trip per shift would make a substantive increase to driver productivity and income. A 5% increase in trips would give a 20% in income or an extra \$2.00 an hour, without cost increases.

As much out of desperation as out of a passion to improve the industry, a principal activist member of the ATDA, and the writer of this submission, Michael Jools, has determined to effect a change. Taxi Automated Xpress Internet Services, with an acronym of T.A.X.I.S., and on the website www.taxis.net.au is now in the NSW market place with a new taxi industry system designed to increase taxi driver productivity, and, incidentally, passenger services.

6. Service Standards

Taxi Service Standards including quality, reliability and safety are factors to be reviewed by IPART, and those standards are regulated and monitored by the Ministry of Transport largely by reference to key performance data supplied by taxi networks for service reliability; from its own Customer Feedback Management System as to quality based on complaints and compliments; but not at all in relation to the safety of taxi drivers.

At worst there are 125 'serious complaints' which include an indeterminate number of assaults on passengers, sexual harassment, refusal to pick up Guide Dogs, TTSS fraud, driving under the influence of alcohol or drugs, and license irregularities. Unlike previous reporting which referenced substantiated and unsubstantiated complaints and separated the issues of safety from compliance (ie, license irregularities) this still averages at one in about 500,000 trips.

About all that can be said is that 'serious' driver complaints have decreased by 16%, whilst overall complaints and complaints about the condition of taxis has decreased by 10%, and complaints about Networks have only decreased by 4%.

Nowhere is there any information about assaults on taxi drivers, robberies or fare evasions. Nor, over the years, has there been any attempt by IPART to quantify or cost those issues which are a direct and sole burden on the taxi driver. We have notional superannuation as a most elusive revenue plus but nothing on the very real negatives, and cost to the driver of a lack of safety.

There are however some of the most specious and misdirected reports possible from the Ministry of Transport purporting to evaluate taxi reliability. That which the Service Standards claim to reportable function of aggregated data on a quarterly basis is presented as statistical averages designed to conceal and mislead analysis. There is a substantial and historically unexplained difference between the number of bookings made by intending passengers and the number of bookings accepted by taxi drivers – in the order of 35% of all bookings.

Yet the Service Standards are quite explicit in that notwithstanding, the Standard is for 85% of all bookings, counted from the time the booking is made by the intending passenger, are to be picked-up within 15 minutes. Over the years we have been informed as to the aggregated data across networks (refer pp 132/133 of IPART 2008 Report) and have thus determined averages of less than 65% over all the years of reporting. This year, courtesy of the Ministry, the only data supplied refers to pick-ups from the time of driver acceptance, and not from time of booking.

Certainly this data is in the order of over 90% of pick-ups within fifteen minutes from acceptance, and historically this has been also in less than five minutes. But this is then a reflection of the service of the taxi driver – and a real commendation as to his performance – and not a measure of network performance. If we were blessed with the information purported to be supplied as required and published by the Director General, it is our conjecture that the networks still languish at around the 65% mark.

Quite simply we again put on notice that the Ministry is not only failing to keep the Networks up to the agreed service mark, but appears to be deliberately misrepresenting the very limited data it now chooses to make available.

7. WATS

Last year IPART made extensive comment and recommendations on WATS. Its recommendations were not taken up by the Ministry or Government. The issues remain.

Last year the ATDA recommended that, in particular, the TTSS cap be reversed such that a wheelchair or other less enabled user pay a maximum of \$30.00 rather than receiving a maximum \$30.00 subsidy. The issue remains.

8. Country Taxis

Again, the ATDA regrets that it has insufficient member feedback or information to effectively comment on the status and needs of Country Taxis. We do note the inequity of Country Taxi Drivers having a benefit of Tariff II for weekends and public holidays, whilst the recognition of that socially acceptable and desirable compensation is denied to urban taxi drivers.

We do remain entirely confused as to the variations between the Taxi Council Limited's TCI and that of IPART for non-urban taxis. If there are no Regulatory requirements to pay entitlements the notions which IPART adopts are irrelevant sophistry, and retreat from IPART's obligation to recommend fares that cover operating costs.

Last years "exhaustive" analysis resulted in a series of unilateral determinations by IPART on "notional" items. We call on IPART to stop having notions and actually go out to the country and count the sheep.

9. Plate Lease Fees

Taxi Plate lease Fees, however set or manipulated are built into the TCI, and indexed without comment. This year the Taxi Council Limited had quite blandly inserted an 8.2% increase with a 13.1% weighting index, without comment from IPART.

As with so much of its calculations, they are "commercial in confidence". Where then is the transparency of the IPART process.?

It is commercially unsatisfactory that lessees of plates have an investment of up to \$100,000 in specifically dedicated vehicles secured by leases of one month validity with the major networks, or of no more than a year with private leasers'.

Cannot IPART proactively involve itself into modeling of alternative lease opportunities? In the current economic conditions there is something obscene about a Government guaranteed rate of return on manipulated valuations untested by the market proof of actual plate transfers, and the absence of real data on sales of the many different classes of plate licenses. Why should the Ministry focus on sale of WATS plates and not offer revenue to the State Government by selling, say five year, plates offering greater security of usage to an operator.?

10. Superannuation (Repeated from 2008)

Between IPART and the IRC the issue of Taxi Driver Superannuation has been bouncing back and forth awaiting Ministerial intervention that never comes. The Transport Workers Union fought a long battle to have Superannuation incorporated into the Taxi Contract Determination, but the final activation awaits a specific recommendation by IPART to allocate a portion of the average fare to Superannuation. Will it ever happen?

As self employed contractors it is up to taxi drivers to fund their Superannuation personally; but it is necessary to incorporate into the cost of the services they provide an amount [9% of net income] from which the funds are derived. Taxi fares have never been adjusted for Driver Superannuation, and such adjustment is long overdue.

The notional \$20.00 an hour simply does not cover Superannuation, yet it is a mandatory part of the package of the bus driver with whom IPART makes comparisons.

11. Taxi Ownership and Operation (Also Repeated from 2008)

From the survey, PWC has concluded that the typical taxi is operated as a single unit by one Operator. Use of median data validates this conclusion, but it is not reflective of the Urban taxis.

The Parry Report of 1999 and MoT data indicate that a majority of taxis are operated by an operator operating more than one taxi, and this impacts significantly on the cost inputs per taxi. Additionally, from the survey data, over 70% of operators are also a driver of the taxi. This tends to confirm the kilometer data of 2500 kms, but leaves in confusion the data of total fares being \$550 per week.

IPART needs delve a little deeper and ascertain an accurate weighted average of taxis per operator. It also needs consider the proportions of Taxi Plate Ownership per individual owner driver and investor / multiple plate owner. Even more relevant is the head lessee control over plates leased by the 'owner' to network subsidiaries who then effectively control the plate and its network allocation. And that is the issue covered by the required consideration of monopoly influences in the Terms of Reference.

12. The Other Missing Cost Item (and a revenue item for the ghost stakeholder)

There is no merit in the exclusion from analysis of one particular related cost item that impacts significantly upon the average fare paid by consumers. That item is in the order of an extra 11% on over half the taxi fares in NSW, and it is cost which escalates directly with every recommended fare increase, without scrutiny or validation of cost increases.

We refer of course to Cabcharge and the almost 10% plus GST surcharge on non-cash fare payments. [On the Cabcharge own account card, GST has been incorporated in the 10% surcharge.]

This is a monopoly based charge borne by passengers, over which IPART does not, or perhaps cannot exercise an interest. Whatever, it is a failing to safeguard the interests of the people of NSW from the abuses of monopoly power.

The ATDA is firmly committed to the introduction of alternative credit card and account card processing methods, such as would benefit consumers and drivers, and is firmly committed also to freeing up the industry to competitive forces such as would break the current monopolistic stranglehold.

13. IPART and its Wage Fixing Role

The Industrial Relations Commission, which regulates the award wages and conditions of Taxi Drivers in Newcastle, Sydney and Wollongong [NSW ??] as well as the Central Coast through the Taxi Drivers Contract Determination, [but not elsewhere in N.S.W.], will no doubt be interested in IPART's apparent determination that taxi drivers do earn \$20.29 per hour.

Labor economists will no doubt be fascinated by the facile conclusion made that labour costs are equated with wage rates.

The impact of using this rate perpetuates the imbalance of cost relativities that have unfairly affected taxi drivers since IPART started using the distorted, and now disproven data of the Taxi Council Limited's original PWC survey. If IPART were to go back to the 1999 Parry Report they would be less than astounded to see operator costs much more similar to the 2008 results.

The Contract Determination clearly spells out the requirement on Bailors to pay their permanent Bailees specific amounts for Annual Leave [on Method II], Sick Pay, an hourly Down Time Rate [\$17.60] and for Method I drivers a percentage of earnings as Annual Leave. All of these were developed out of the 1984 Agreement with an underlying 50 /50 share of fares.

In the IRC, in sworn statements by executive officers of the Taxi Industry Association [attachment vi] Mr. John Bowe quite unequivocally said that the market rate "discount" on maximum set pay-ins was proportionate to the non-payment of entitlements.

How IPART or PWC extends this to Country Taxi Drivers who have neither Award or Contract Determination nor any entitlements is mysterious at the least.

That \$20.29 would be a suitable rate of net earnings is welcomed, but there must be a recognition that, to achieve such a net rate, the gross rate is about \$26.00 per hour.

14. The Current State of the Industry

Yet to be established from the sort of empirical data which IPART has previously rejected, is the current state of the Taxi Industry. Anecdotally, but clearly a real consequence of the Global Financial Crisis and our impending Recession is a decrease in the number of day trips and in the number of Monday / Tuesday / Wednesday night trips. At this stage the partying continues on Thursday / Friday and Saturday nights; but for how much longer.

IPART has traditionally adopted a backwards looking view of events, but this cloud deserves attention. Work has dropped off with the economic downturn, and cost cuttings within the business sector. The ATDA estimates current revenue reduction of 10% with a likely total 15% to 20% drop in the coming period. Overall taxi revenue is more likely than not to reduce to about \$175,000 per taxi in 2009 / 2010.

Current Operator operating costs show fro IPART a \$3000 loss, and from the Taxi Council Limited, a \$10,000 loss per annum. The revenue reductions will impact directly on taxi drivers in the fixed pay-in environment and reduce their retained residual earnings from the current less than \$12.00 an hour to less than \$10.00 an hour.

Less than disinterestedly we seek to know IPART's position.

Now that it has ventured into albeit limited revenue /costs justification of its determinations, what will IPART do in the reality of a downwards market usage for taxi cabs ?

15. Summary

In this submission we note again our dilemma. Fare increases are justified and necessary, and a major re-balancing still needs to occur to secure a real net retained income of \$21.00 an hour. In the current, and likely future, economic conditions, and with the already present reduction in jobs per shift, almost any fare increase will be counter productive.

As taxi drivers our better option is to effect industry wide changes ourselves, whilst optimizing passenger relationships and services. A better delivery of services, increased reliability to actually meet prescribed Standards, and an improved payment system is surely the way to go.

Improved productivity—a few extra jobs a day by better job offer information; a participatory share in a reduced credit card surcharge , and perhaps tips from happy passengers is a better solution.

After many years of working within the system to achieve **a fair share of a fair fare**, we must now look outside, and to ourselves for a positive outcome. IPART has failed the taxi drivers because it has never fairly or comprehensively addressed the driver's operating costs and revenues, or understood that a taxi driver should by law be getting half the net fare revenue and should be reasonably able to expect to earn at least the hourly minimum wage and additional entitlements for his efforts.

The more than gratuitous insult from IPART last year that taxi drivers are on a "wage" of \$20.29, whilst neglecting to deduct GST obligations or the full extent of his operating costs, and still expect him to pick up Annual Leave and Superannuation costs is unacceptable. It is a dereliction of IPART's own obligations, and Terms of Reference and we would wish that this years' process actually accounts for, and reviews, the costs of providing a taxi service to the people of NSW.

We would suggest that notwithstanding the time limitations on IPART, a way forward to more fully workshop these issues would be desirable and effective. The ATDA is ready and willing to assist. The issue of how to fairly address the GST cost inclusions is one clear example of most parties having deliberately set aside a difficult issue. As concerned stakeholders we can all do better

Michael Jools
President ATDA
Thursday, April 23, 2009