

# **NSW TAXI DRIVERS ASSOCIATION**

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*'A Fair Share of a Fair Fare'*

President : Geoff Coates

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## **SUBMISSION**

to the  
**INDEPENDENT PRICING AND  
REGULATORY TRIBUNAL**

on the  
**2007 SURVEY and ISSUES**

by the  
**NSW TAXI DRIVERS ASSOCIATION**

**18 MARCH 2008**

**SUBMISSION**  
**on the**  
**IPART ISSUES PAPER**  
**by the**  
**NSW TAXI DRIVERS ASSOCIATION**

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# 1. INTRODUCTION

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

The NSW Taxi Drivers Association this year submits only a few key points in our limited submission on the IPART Issues paper. The NSW TDA was created 3 ½ years ago, the only association to democratically represent taxi drivers in NSW. 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 NSW 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.

We recognise the reputations of the IPART Commissioners and that of Dr Keating from 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. Our submissions and our preparation time, 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 vital importance to the drivers and hence the industry and cannot be delayed.

## **2. \$ 21 /hour DRIVER EARNINGS BENCHMARK.**

The NSW TDA submits that IPART must recognise a \$21 /hour BENCHMARK for taxidriver 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 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 tax deductible expenses.

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.**

### **3. \$ 1.00 LPG FUEL COSTS LEVY**

The PwC Survey last year found gas prices 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 calculation confirms 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 ; Attachment A.)

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 to the public with official in-taxi stickers
- 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 the Minister and the IRC.**

## **4. IPART MYSTERIES AND MISCONCEPTIONS**

'Mysteries and Misconceptions' are a call for major revisions and corrections to the IPART approach to fare determinations as reflected in the many misconceptions of the Issues paper.

**4. A "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 ( \$4000/driver proposed this year ) 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 at Attachment B.) 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 PwC 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 be enforced, then it must enter any "proxy" sum at ZERO value !

### **4. B IPART LEMON MODEL BREAKDOWN**

The T Model Ford was a success from the beginning.

The IPART Model was a lemon from the beginning. Because it has NEVER worked !

By regulation taxis must be taken off the road after 6 years. The IPART lemon exceeds this period. It should never have been allowed on the road. It is fundamentally flawed.

As the NSW TDA has stated in all its submissions !

The most glaring evidence of the flawed nature of the IPART Model is in its own admissions. IPART (Issues p39) bemoans that taxis could surely not be running at a loss of \$50,000 PA as per IPART's calculations.

Certainly and obviously and self evidently not !

( All sectors of the taxi industry make some money, even if relatively little. )

Issues p 39 then postulates 5 reasons for the failure of its model. Two of these go to part of the issue ; 1. that the costs in both the taxi cost survey and the TCI are overstated, and 2. PwC's estimates may not be representative of the costs of operating all taxi businesses.

Bu the overriding issue is that the IPART Model does NOT work !

The NSW TDA has for several years stated these obvious facts. And last year also produced sworn IRC evidence of costs that had been falsely overstated since the beginning of the IPART taxi fare assessments.

Yet IPART persists in maintaining such falsely inflated costs. Against all its own evidence and conclusions.

Back to the drawing board for a NEW IPART Model. Together with facts and truth and logic !

### A NEW MODEL

An essential reason why IPART has no clothes is that the 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 constructive 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 working 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.

**4.C DRIVER EARNINGS ARE SEPARATE FROM OPERATOR COSTS.** Since its inception IPART has misunderstood and misdirected driver earnings as an operator's cost. That is a fundamental misconception which has significantly distorted its assessments. There is in fact no connection between operators and drivers.

Operators are essentially similar to plant or equipment hire outfits and drivers are their rental customers. Neither are beholden to each other in any other significant way. The "equipment hire rental" of the taxi operator is their pay-in from the driver. The driver earnings (or lack thereof), are of no consequence to the operators. Those are purely the drivers' concerns. The distortion in the IPART model from the inclusion of drivers earnings as operator costs is that those earnings become a "cost" to be minimised in the interests of operators and in the interests of IPART in setting public taxi fares.

And if IPART claims to be guarding the interests of the public, then it should begin by setting a "living wage" of \$21 as above as its fundamental BENCHMARK. And only then arguing why this should be reduced or minimised in the face of the free market operation of public demand.

**4.D DRIVER COSTS.** Following from the separation of drivers earnings from taxi “costs” are the major costs incurred by drivers in earning a living. Many of these driver costs are not recognised at all by IPART and others are mistakenly listed as operator costs in the IPART Model.

Primary in these is of course the “equipment rental” of the pay-in per shift paid by all 17,000 Sydney taxidriver (excepting the only known 2 drivers in Sydney who are on Method 1). (The pay-in being the driver’s cost and the operator’s rental return on the taxi equipment hire to the driver and reflecting the main source of operator income apart from taxicab advertising revenues.)

And second in magnitude is the cost of fuel that drivers have to pay. Thirdly are the nightly \$10 car wash that drivers must pay by Regulation.

And in addition are the costs that all drivers incur such as traffic fines (an occupational hazard the risks of which increase with the length of hours driving and would not be incurred if not driving at all), 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 for such risks then that would be a tax deductible expense.

These costs should be in addition to and outside to the \$21 /hour earnings benchmark, and its entitlements and superannuation loadings, in the same way as operators costs are summed outside their earnings.

**4.E OWNER DRIVERS.** The Survey and the Issues paper misunderstand and thereby distort several subsequent analyses that the 186 respondent ‘one taxi operators’ (Issues table 2.3) are in fact not operators at all but owner drivers. Owner drivers are simply taxidriver, not operators (in all bar a few minor respects). The only attributes they share with operators is that they need to arrange insurances and pay Network fees and they potentially benefit from plate capital appreciation. They are little different to drivers that lease taxis. Most owners of one taxi drive their own taxi, very often “one out” only to significantly minimise their no claim insurance costs.

The consequence of including the large number of 186 respondent owner drivers within the 226 total respondent operators is that it distorts the survey answers from the genuine and especially the larger operators. (A likely reason for the admirable operator Survey response by owner driver is that they have a strong personal interest in the taxi industry.)

And there are numerous other analytical consequences, for example : The shift patterns of owner drivers are often conveniently and remuneratively quite different from the common 12 hour 3am to 3 pm industry norm ; The discussion about Operators salary equivalent in “administering each taxi” (Issues p 11) is largely inapplicable ; At (Issues p 12) it is double counting to consider entitlement loadings in an owner drivers “administration wage rate” ; Similar double counting occurs in the discussion (Issues pp 10,11, 20,31) on the payment of fictional entitlements ; The level of Insurances (Issues Question 16) is open to question.

**4.F “WAITING TIME”.** Seemingly innocuous, the definition of taxi “waiting time” is causing confusion within the IPART analyses (Issues pp 32,34,35,37,48 and Questions 38,48) with distorting consequences. In the necessarily limited response of the NSW TDA to the numerous issues affected by this lack of definition, firstly, in summary, the following separate definitions of “waiting time” need to be applied for accurate analyses of different issues and circumstances :

- waiting time (relating to the taxi waiting for or with a paying passenger)
- running time (driving to a booking without payment, a critical viability and service issue for WATS bookings and long distance pickups for white cabs.)



- downtime (associated with taxi breakdowns, inspections, etc; the driver's time conventionally being deductible from payins.)
- deadtime (unproductive time, meal breaks, refuelling, car washing, waiting at ranks, etc often up to 60% of total time per shift.)
- "threshold time" (introduced by IPART - Issues p 29,32 - this is a new, if seemingly valid concept referring to driving below the 26km/hour speed/rate "threshold" with a paying passenger. This concept is unnamed in the taxi industry, but incorrectly referred to as waiting time by IPART.)

#### **4.G NUMBER OF DRIVERS PER TAXI.**

The PwC Survey postulates 2 drivers per taxi (Issues p 8). That assumption is fundamentally wrong.

It takes up to 4 drivers to maintain the economic viability of the capital equipment of a taxi running 24 / 7. For each of up to 5 weekday shifts, up to 5 week night shifts, plus 2 weekend days and 2 weekend night shifts, or any combinations thereof. The long standing rule of thumb is an average of 3 ½ drivers per taxi (check ; 5000 taxis and 17,000 drivers in Sydney).

The incorrect 2 drivers / taxi assumption significantly distorts the IPART calculations and must be revised. (Refer also 3J below.)

#### **4.H WATS SERVICES**

WATS services are not providing the disabled adequately.

Disabled persons are often imprisoned in their homes. Because long taxi fares can cost up to a quarter to a half of their disability pensions.

Many WATS drivers are skilled and caring. But the out of pocket costs of running to bookings are often too great.

Two critical areas of the WATS services need to be reviewed.

WATS booking fees need to be increased to \$15 for economic viability of service.

And the maximum \$30 payable by disabled should be for any distance of taxi fare.

## **5. PRODUCTIVITY REFORM**

The NSW TDA disagrees with virtually the whole of the Issues paper Chapter 5 on Productivity. IPART promotes a doctrinaire economist's fantasy 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 on 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 taxidrivers 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 increasing impediments of traffic congestion?

In fact the competition between taxidrivers is extreme to the point of danger. Taxis exceed the speed limits to pass one another 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 several areas of substantial productivity potentials that the NSW TDA has identified in its submission :

The IPART Issues paper below touches on some areas of the industry that may be amenable to rational, assessable and realistic productivity improvements. However IPART must critically examine those issues as to whether they are viable, realistic, able to be targeted and achievable instead of mere fantasies.

**5.A 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 :

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

**5.B 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.

**5.C TAXI INSURANCES.** IPART (Issues p 16) discusses taxi insurances. Without being specific, the NSW TDA believes that genuine competition in taxi insurances might bring these costs down, and notes that taxi insurances in, for example Victoria, are understood to be very significantly less.

**5.D FUEL EFFICIENCY.** The taxi industry proudly leads the community in the universal use of fuel efficient and green low emissions LPG gas ; at reduced costs to petrol to the benefit of passenger fares. At Issues p 20 reference is made to more fuel efficient vehicles such as the Toyota Prius, which is currently being trialled in Sydney. This may be a future productivity gain, but possibly only in the long term.

**5.E ENGINE EFFICIENCY.** Since the off loading of fuel costs onto the drivers, the incentive for operators to adequately keep taxi engines tuned for efficient fuel usage has disappeared. Indeed the – relatively minor - costs of regular tunings are a disincentive to operators. At the expense of drivers !

**5.F TOLL ROADS.** The increased use of toll roads by taxidivers undoubtedly improves some aspects of the productivity of taxi services. The (usually) quicker trip times and reduced waiting at traffic lights etc means a quicker and cheaper fare for passengers, offset to a degree by the toll fee. Similarly, the use of toll roads by taxis running to bookings also means quicker pickups and overall an increased number of potential fares per shift (provided it is busy and the fares are available). (The current NSW TDA Baulkham Hills / Castlewood bus lane letter is enclosed as an example of the NSW TDA endeavours in this area of taxi productivity, Attachment C.)

Arguably, as an important form of public transport, taxis should be considered for dispensation from toll fees on all tollways. This would further encourage the use of toll roads by taxidivers and taxi passengers.

**5.G TAXI PLATE DEREGULATION.** There have been recent discussions on the “deregulation” of the taxi industry. Economist Prof Allan Fels, one of the commentators, was reported as saying, inter alia, that the stranglehold of wealthy taxi owners should be broken. (For drivers that is not an issue, but other matters are, because – theoretically - their payins should drop due to the lower lease costs of the plates.) Interestingly, Prof Fels was at pains to state "not total deregulation" because its really important that we have "driver competence, good street knowledge, and especially of good character".

Instead of the chaos of total deregulation, as experienced in other countries and parts of Australia, there are sensible alternatives which actually achieve what Prof Fels et al are on about, but more successfully for the traveling public. It goes like this ; in future the Govt only issues free, non tradeable plates to (say) 5 year experienced taxi drivers. This has the economists' beloved effect of an 'open market' driving the plate prices down, and eventually driving the plate prices down to zero ( better than a Fels reduction of only 30%) ! At the same time experienced drivers are given an opportunity to create a career in taxis if they want it, without the horrific crippling leasing costs of taxi plates.

Some of the characteristics of this approach are ;

- Most importantly, new plates are only issued as demand from the public increases ! That means relatively slowly, say maybe 200 – 400 cabs a year, which in turn has many other advantages.
- It means that existing investors can sell their plates in good time before they drop too much. Yes, they incur losses, but at their own judgement. And present owner drivers are in the same boat, and they no longer have a lifetime investment. Instead they can sell their plate and invest their money elsewhere. (And maybe get a free non-tradeable plate to drive as well!)
- Importantly scarce drivers are not thrown on the rubbish heap. Instead they can develop taxi driving careers if they want. (A new form of seniority plates, with all the advantages and none of the disadvantages of that scheme.) And new drivers can come in and be trained as at present as new plates are issued. And present incomes do not suddenly collapse in a free for all total deregulation chaos. And very importantly, the public continues to have stable service with a growing workforce of competent drivers.
- The main difference with this approach is that it takes longer to take effect than the Fels scheme. Instead of (say) 2000 new plates flooding the NSW market (for a 30% Fels reduction), a few hundred are released each year in response to public demand growth. That benefits the investors in exiting the industry and effects a slow transition from overvalued plates to plates of zero value. With attendant deletions of the costs of plates and plate lease costs from the taxi fares payable by the public.

IPART has a role through Regulatory Reviews to recommend to the Government on aspects of the taxi industry and productivity matters.

**5.H NSW TDA ADVICE.** The NSW TDA is only too willing to provide any advice and information it can to improve the productivity of the taxi industry. On the understanding that any IPART inclusions of productivity discounts are only those for clearly identified, targeted and achievable 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!

## **6. 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 viable and productive than written submissions) to examine the industry in necessary depth.

Without further detailing these matters due to the limitations of time, and without it being necessarily an exhaustive listing, the following Issues paper Questions are recommended as relevant for Regulatory Review ;

namely IPART Issues paper Questions numbers 2, 3, 4, 7, 22, 23, 28, 30, 31, 32, 33, 34, 36, 37, 38, 43, 44, 45, 46, 47, 54, 55, 56, 57.

## **7. OPENNESS & TRANSPARENCY**

Secrecy has been the characteristic of the taxi industry. Indeed its basis.

Most of the present taxi industry has been developed secretly 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 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.

**7.A** To a degree, this openness and transparency can be subverted by submissions insisting on confidentiality and non-publication, as is permissible by IPART. Where submissions request confidentiality, to maintain some degree of openness IPART should, the NSW TDA submits, publish the name of the authors and /or institution and the nature and subject of the submission. This should become an extension of the IPART stated policy of openness and transparency.

**7.B IPART INDICES.** IPART is moving away from expressing the taxi costs model in dollar terms. This is a move away from openness and transparency, which may or may not be unintentional.

IPART proposes to express the base year as 100 with weightings and indexation as numerals and percentages on the base.

This may be IPART sophistication, but conceals to the public and the taxi industry the trends and changes occurring and what is proposed in clearly unambiguous terms.

No-one knows what these base numbers and weightings refer to. ONLY dollar amounts mean anything in the taxi industry.

Does the Minister understand these IPART numerals? Certainly drivers don't! Certainly taxi operators don't. Certainly the Networks don't. And certainly the travelling public doesn't. So why use them when direct dollars convey the facts openly and transparently? ( The IPART base numbers and weightings and indices can be tabled separately in Attachments. ) The NSW TDA opposes what is a move away from IPART openness and transparency.

**7.C IPART WEIGHTINGS FORMULAE.** In its Issues paper Appendix C, IPART publishes arcane formulae for the "Changes to Weightings in the TCI" of fares from one year to the next. The NSW TDA does not criticise the validity or accuracy of these formulae.

It is simply dumbfounded !

Despite the A level maths marks and Honours level Economics grades of some NSW TDA drivers, those marks are too far in the distant past to enable any critical comprehension of those IPART formulae.

Neither the Minister for Transport, nor anyone else, will have any comprehension of these formulae.

Publishing the formulae is in keeping with the IPART admirable open and transparent approach. But relying only on the application of those formulae is closing the door on that openness and transparency.

**7.D IPART OPENNESS & PRODUCTIVITY.** In conclusion it is noted that the policy and practice of openness and transparency by IPART, which the drivers of NSW and the NSW TDA fully support, is of itself starting to open secrecy doors, eliciting previously concealed information and hence contributing to real and potential improvements productivity in the taxi industry. Our congratulations !

## **8. SUMMARY**

**8.1** The NSW TDA has submitted only key comments on the PwC Survey and the IPART Issues paper, as distinct from specific replies to all 57 IPART questions raised. It is unlikely to find the time this year to comment comprehensively on the forthcoming IPART Draft taxi fare review.

Its comments in this submission do however cover many of the critical aspects of the taxi industry and taxi fares raised in the Issues paper. The intent of these comments are to be both critical where appropriate and constructively positive where relevant.

In summary, the NSW TDA submission makes the following observations.

### **8.2 \$ 21 /hour DRIVER EARNINGS BENCHMARK.**

The NSW TDA submits that IPART must recognise a \$21 /hour BENCHMARK for taxidriver 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 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 !

### **8.3 \$ 1.00 LPG FUEL COSTS LEVY**

The PwC Survey last year found gas prices 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. Anecdotally drivers are an extra \$50 – 100 per week out of pocket ! Simple calculation confirms that.

In desperation the NSW TDA has sent a letter to the Minister for Transport for a \$1 Gas levy. (Attachment A.)

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 the Minister and the IRC.**

### **8.4 IPART MYSTERIES AND MISCONCEPTIONS**

'Mysteries and Misconceptions' are a call for major revisions and corrections to the IPART approach to fare determinations as reflected in the many misconceptions of the Issues paper. The NSW TDA submission enumerates several fundamental deficiencies in IPART's understandings of the industry and in its approaches to the assessments of taxi fares.

It is notable that many of the examples provided by the NSW TDA are echoed by other experienced and knowledgeable taxi industry stakeholders.

The examples provided by the NSW TDA include the following ;

- A. "ENTITLEMENTS"
- B. IPART LEMON MODEL BREAKDOWN

The NSW TDA has stated in all its previous submissions that the IPART Model is fundamentally flawed and continues to do so.

The most glaring evidence of the failure of the IPART Model is in its own admissions.

IPART (Issues p39) bemoans that taxi operators could surely not be running at a loss of \$50,000 PA as per IPART's calculations.

All other major submissions from experienced taxi industry stakeholders have noted these admissions and the inadequacies of the IPART approach !

**The Taxi Council Ltd submission states (page 2) "In some areas we believe the survey results themselves are flawed or unreliable and this can be demonstrated. Whilst some results do appear representative, in other areas it appears the report includes some conclusions that cannot be relied upon and which require more in-depth investigation or improved verification"**

**The ATDA submission states (2.1, 2.2) "Since 2001, and even with the PwC Survey, the disparate modeling of IPART is at odds with taxi reality. ... The issue arises from a basic misconception and misunderstanding of the duality of the industry."**

In its submission the NSW TDA again states that IPART must go back to the drawing board for a NEW IPART Model ! Together with facts and truth and logic !

**Not all of these stakeholders can be wrong, surely !**

- C. DRIVER EARNINGS ARE SEPARATE FROM OPERATOR COSTS.
- D. DRIVER COSTS.
- E. OWNER DRIVERS.
- F. "WAITING TIME".
- G. NUMBER OF DRIVERS PER TAXI.
- H. WATS SERVICES

## 8.5 PRODUCTIVITY REFORM

The NSW TDA disagrees with virtually the whole of the Issues paper Chapter 5 on Productivity. IPART promotes a doctrinaire economist's fantasy seeking mythical productivity factors. And then recommends a totally naïve and arbitrary percentage discount on 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 !

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, several areas of substantial productivity potentials have been identified by the NSW TDA in its submission. These include such potentials as ;

- A. NETWORKS COMPETITION.
- B. NETWORK BOOKING SERVICES
- C. TAXI INSURANCES
- D. FUEL EFFICIENCY.
- E. ENGINE EFFICIENCY.
- F. TOLL ROADS.
- G. TAXI PLATE DEREGULATION.



## **8.6 REGULATORY REVIEW**

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

The NSW TDA has listed some 25 of the 57 Issues Questions which 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 viable and productive than written submissions) to examine the industry in necessary depth.

## **8.7 OPENNESS & TRANSPARENCY**

Secrecy has been the characteristic of the taxi industry.

Indeed its basis.

Most of the present taxi industry has been developed secretly 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.

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

## **9. CONCLUSION**

The NSW TDA has submitted two main matters for IPART consideration :

- The adoption by IPART of an equivalent of a \$21 per hour earning rate for taxidriviers as an IPART BENCHMARK,
- The adoption and recommendation by IPART of a special \$1 per fare gas fuel levy.

IPART's efforts to date have been awarded a scorecard.

The NSW TDA submission roundly criticises IPART for its continuation with a demonstrably and self evidently inadequate Model and approach to taxi fare assessments. ( Comments echoed to lesser and greater intensity in other major stakeholder's submissions. )

On the other hand credit is given for intent of the PwC Survey last year and the resultant inquiries of the Issues paper.

The IPART policy of openness and transparency is fully supported.

The NSW TDA does not support any aspects of the IPART approach to Productivity improvements, but has offered several examples and its assistance in such endeavours if realistic and achievable.

The NSW TDA fully recommends a Regulatory Review next year as seemingly foreshadowed by IPART.

And the NSW TDA has recommended intensive face to face discussions, open and transparent, to effectively clarify and discuss the many taxi industry aspects for accurately assessing taxi fares with equity and fairness.

In conclusion the NSW TDA submits its 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.

Ted Hirsch  
Secretary

On behalf of the NSW Taxi Drivers Association.  
18 March 2008

**Attachment A.** NSW TDA 2 Feb 2008 letter to Minister for Transport for a \$1 Gas levy. URGENT demand.

**Attachment B.** Transcript from the **IRC 2004 / 544 HEARING on Thursday 10Feb2005 under CONNOR C.** Evidence of years of false incorrect information provided to IPART.

**Attachment C.** NSW TDA 28 Feb 2008 letter re Baulkham Hills / Castlewood bus lane - example of the NSW TDA endeavours in this area of passenger service and taxi productivity.

# **NSW TAXI DRIVERS ASSOCIATION**

**INCORPORATING BAILEE DRIVERS, OWNER DRIVERS AND LESSEE DRIVERS** Inc.no. 9882558  
ABN 98 653 928 763 www.hermes.net.au/toursbm1/NSWTDA.htm **PO Box 322, Alexandria NSW 2015**

*'A Fair Share of a Fair Fare'*

President : Geoff Coates  
Mob: 0431 585 944 Ph: 02 9526 1629

Secretary : Ted Hirsch  
Mob: 0432 665 822 Ph: 9810 1136

**2nd February 2008**

**Hon John Watkins  
Minister for Transport**

## **Taxi Fares**

**Dear Minister,**

As no doubt you are aware, the price of fuel has nearly doubled since the last taxi fare increase in July 2007 and predictions are that it will continue to rise sharply. This is hurting the taxi industry as unlike other transport providers it cannot pass such costs on to the consumer without your or the Director General's approval.

In Sydney, where unlike anywhere else in Australia it is the taxi drivers who pay for fuel, the fuel expense has gone up by an average \$20 per shift. For example LPG has since July 07 gone from 41.9¢ litre to as high as 75.5¢ litre.

Such outlandish increases are causing considerable hardship for Sydney drivers and for operators in the country and is already forcing many to leave the industry with many more seriously contemplating it.

**We therefore ask for your URGENT approval of a \$1 per trip fuel levy to be charged off the meter like road and airport tolls and a dashboard sticker from the MoT authorising such a levy. We see no other way for the industry to retain its drivers and stay viable.**

**As you may also be aware, in Melbourne desperate drivers and operators recently threatened rolling blockades of the CBD which were only avoided by the quick action of the Acting Transport Minister, Tim Pallas.**

I am hopeful that your response to this letter will ensure that no such action will be necessary in Sydney. As this matter is urgent I look forward to your prompt reply.

Yours sincerely

Geoff Coates  
President

**Attachment B.**

**IRC 2004 / 544 HEARING on Thursday 10Feb2005 CONNOR C.**

Hearings Transcript pages 1-84

Witness: Mr JOHN BOWE

(Exhibit 21 : TIA submission 12May04 by Mr John Bowe, executive director Taxi Industry Association (TIA) 1982 –2003, 40 years in taxi industry as driver, owner, coops director.)

Pp 35 Q. (HARTCHER) You say that the information provided in that submission was true and accurate?

A. (BOWE) To the best of our knowledge at the time, yes.

Q. You see, where do we find it in the submission said that 70% of the industry doesn't pay entitlements to its permanent drivers?

A. I don't think you'll find that in there.

... ..

Q. You've asked the tribunal to accept ... that the taxi operators across the board are facing the cost of driver entitlements of some three to \$4,000 a year. Do you see that?

A. M'mmm.

Q. That's simply false with respect to, in your figures, 70% of taxi operators, isn't it?

A. No, it's not, that is what the entitlements add up to.

Q. But they're not actually paying them are they?

A. Well, it was not up to us to tell IPRT (IPART) that people aren't paying them.

... ..

Q. Shouldn't you have told the tribunal at some stage to say that, well, this is what you're meant to pay but we've got to tell you that in fact 70% of this is actually not being paid at all?

A. Well, only if you were asked, yes.

Pp36 Q. Your evidence is that, notwithstanding that customers are paying for those entitlements through the fare, that in 70% of cases it's not going to the driver. Is that right?

A. That's my personal opinion, yes.

Q. That's just fraud on the public, isn't it?

A. Well, I wouldn't agree with that because you are setting that that is something that they are bound by law to pay.

... ..

Q. I'm putting to you with respect to driver entitlements it's a cost which exists in 70% of the cases only as a matter of theory, not as a matter of reality?

A. My opinion, only my opinion.

... ..

COMMISSIONER. Q. Can I say from my experience with you, you have a considerable experience in the industry. Isn't that a fair comment?

A. Yes, Commissioner.

Q. Can I just put this to you that it's really misleading for the association to present submissions to the tribunal saying that operators face the cost of so many goals and expected entitlements when it in fact knows that most operators, members of that association, aren't paying those entitlements?

A. I would agree with you that all statements made to the tribunal by all parties probably err in some places and if you are saying that the association has erred or the council has erred, I would agree with you, if that's your opinion.

... ..

Pages 50 - 68

Witness : Mr HOWARD HARRISON

( Exhibit 23 : 1 February 2005 statement by Mr Howard Harrison of ?? Avenue, Toongabbie, chief executive officer of the Taxi Industry Association (TIA), 40 years as driver, owner, CCC Director, TCS employee.

Pp 53 CLEGG : Can I just indicate that it is put forward really as a model and Mr Harrison will concede that for instance it is based on full entitlements being paid to drivers, just as it's based on operators receiving maximum pay-ins.  
And we have evidence in these proceedings to say that that doesn't really happen in most cases.

... ..

Pp 61 Q. And it's not a calculation one ever finds in the Association's submissions to IPRT (IPART) , that is, whether entitlements are not paid and whether there's a set-off by way of payments. That's something you just don't find in the submissions.

A. No, you don't find it in the submissions.

... ..

**Attachment C.**

# **NSW TAXI DRIVERS ASSOCIATION**

Incorporating Bailee Drivers, Owner Drivers and Lessee Drivers Inc 9882558 ABN 98 653 928 763

## **‘A Fair Share of a Fair Fare’**

P.O. Box 322 Alexandria NSW 2015.

President: Geoff Coates

Secretary: Ted Hirsch

To: Andrew King  
Manager of Traffic

kinga@bhsc.nsw.gov.au  
Baulkham Hills Shire Council

This submission, on behalf of the NSW Taxi Drivers Association, seeks to win access for taxis to the road link currently being considered between West Pennant Hills Valley and the Castlewood area of Castle Hill.

Rather than see it called a “Bus Only” link we would recommend it be deemed a “Public Transport and Emergency Vehicles Link”. This will enable taxis to provide a much improved service to residents of these areas.

### **Taxis’ Role**

The NSW Taxi Drivers Association is absolutely committed to winning equal access for taxis to proposed Bus-Only roads.

It is absurd that the frail and infirm, who rely totally upon taxis for transport, are forced to go the long way, languishing in crawling queues of cars when a shorter, cheaper, route is available and possibly restricted to use only by the able bodied. The burgeoning bus priority systems advantage the hale and hearty but relegate the weak, the aged and the disabled to inferior, overcrowded road systems.

Those who can walk to their nearest bus stop do not deserve exclusive access to a corridor potentially withheld from those would-be travellers who are unable to walk to and wait at a bus stop.

North Western Suburbs Shouldn’t be given Second Rate Servicing.

Residents of Sydney’s North Shore, Mosman, Cremorne etc, breeze into town in taxis already permitted to use the Bus Lane on the Sydney Harbour Bridge for sound practical reasons. It makes no sense that taxi travellers in West Pennant Hills should be denied a similar facility as they seek to access the Castle Hill precinct.

Similarly, taxi travellers enjoy the benefits of taxi priority in Transit Lanes and Bus lanes along many other Sydney routes such as Parramatta Road, Windsor Road, The M2 Motorway and The Great Western Highway. However if the corridor under consideration is designated a “Bus Only” lane then taxis would be excluded. Only a designation of “Bus Lane” would ensure taxis’ access.

### **Preferential Deals**

The monopolistic favouritism of allowing only one operator (a bus service) to service any transport route robs the travelling public of the benefit of competition and the freedom of choice.

When we, taxi drivers, compete with other forms of public transport our main selling point is our expediency. We are required by regulation to take the "shortest practical route". If the council were to make available a shorter route to buses than to taxis our competitive edge is lost. We would see the restriction of competition that such a move would make, as being terribly anti-competitive. It would be like the council permitting a Woolies store to trade but banning a Coles store from opening in opposition.

It is just un-Australian not to give taxi drivers a fair go and the NSW Taxi Drivers Association would be forced to consider a legal challenge to any council action that gave our competitors an unfair advantage. Importantly, for the residents, competition keeps players honest. There are lots of examples of monopolies disregarding their clients when those clients have no choice.

We feel that residents should be given the right to take a taxi anywhere a bus can go. It is prejudicial and grossly unfair to only allow those fit and able enough to walk to and travel by bus to use any route. Taxis carry all kinds of passengers, including the blind, the frail and disabled.

To force those who have a disability that prevents them riding on a bus to take a longer, slower and more expensive route is unfair. The West Pennant Hills Valley area has a rapidly greying population. As they come to rely more and more heavily upon taxi drivers they should not be isolated by their location.

### **Paying Peanuts...**

Whereas most providers of public transport (bus and rail employees) enjoy wages for their time on duty the taxi industry is quite different. The driver of a taxi earns nothing at all whilst sitting in a vacant cab.

This dead time, occurring between fares, is one of the principal reasons that taxi drivers earnings are so low. Many people have complained about the lack of expertise of taxi drivers but few of those complainants understand why so few people are willing to drive taxis and why there is such high turnover of drivers.

When

Governments permit taxis to save time by travelling along the shortest available route the drivers' earnings may increase thus making the career of taxi driving more attractive to participants and helping to retain the more experienced drivers. Many Sydney taxis are lying idle at any time due to the current driver shortage. Allowing drivers to increase their earning rate by working more efficiently would have a twofold benefit to the travelling public. Not only would the taxi industry enjoy a higher participation rate but the availability and quality of service will increase.

### **Poorer Service in the Most Isolated Areas**

Taxis operate in loose competition with other forms of transport. We are not the cheapest but we like to be viewed as the most expedient and accept that, regrettably, that is not always the case.

The taxi fare structure, that is set by government, is a very blunt instrument that does not always reflect the actual cost of the providing a taxi service. Drivers' worst enemies, to making a decent living, are dead (unpaid) time and dead kilometres spent running vacant on the way to and from a hiring.

The current geography of the West Pennant Hills Valley and Castlewood areas sees a disproportionately high amount of dead time and running associated with each taxi journey. Those areas of

Sydney, where every taxi hiring is matched by an equal or longer unpaid journey see the drivers getting paid for only half their time, or less. Generally, drivers are better off working elsewhere.

In other parts of Sydney, the City is the best example, when one passenger gets out the next hirer is usually just up the street or around the corner. The “dead-end” nature of the West Pennant Hills Valley and Castlewood areas makes it less attractive for drivers to work in. People waiting for a cab to leave these areas may have to wait until a paying passenger is brought into their area before it is viable for a cab to come to collect the next aspiring hirer.

The prescribed taxi booking fee of only \$1.60 is roughly equal to the amount quoted by the NRMA as the running cost of moving a Ford Falcon about 2 kilometres. That figure contributes nothing at all towards drivers’ earnings. Thus the more connected an area is, the higher is the likelihood that a cab is in the vicinity and can arrive quickly to pick up.

Thus, opening up the area to taxis is likely to provide improved service delivery, to people living at both ends of the link. In particular people waiting for cabs will see the existing fleet better utilised. Vacant taxis waiting at Castle Hill rank will be more readily available to residents in West Pennant Hills Valley and taxis on Carlingford taxi Rank will be more readily available to the residents of the Castlewood area. Shorter pickup times and cheaper total journey costs should appeal to everyone.

### **Enforcement**

The adherence to Bus Lane access conditions is already being monitored automatically by strategically placed Bus Lane cameras in many parts of Sydney. These can be seen in operation on Parramatta Road at Camperdown; in Lane 7 of the Sydney Harbour Bridge (The Cahill Expressway) and on the Great Western Highway at Mays Hill. There is no need to create any further physical barriers to exclude ordinary cars from Bus Lanes. More importantly, certain emergency vehicles such as paramedics and Police cars would be blocked if physical barriers were used to block the proposed route to all but buses. Therefore we advocate the use of a Bus Lane Camera but not the use of any further physical barriers to access the route.

So in conclusion, we acknowledge the value that residents place upon living in a quiet street and don’t wish to see anyone’s quality of life curtailed. However, we also believe that the community at large expects to have taxis at their beck and call. We believe that granting access for taxis along the proposed link should be a primary consideration for all those considering how best to assist local residents. Allowing a bus service to operate without simultaneously giving taxis an opportunity to compete on a level playing field would be very un-Australian. Allowing taxis to share the route is the best way to assist local residents and to improve transport access.

Thank you for giving the NSW Taxi Drivers Association a hearing.

Ernie Mollenhauer  
Committee Member  
NSW Taxi Drivers Association

28/2/08