

***INDEPENDENT PRICING REVIEW AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES***

REVIEW OF FARES FOR TAXIS 2005

SUPPLEMENTARY SUBMISSIONS BY THE TWU

A. INTRODUCTION

1. The Union welcomes the opportunity to provide supplementary submissions to the Tribunal in its review of taxi fares. As we have noted in our interim submission to the Tribunal, we gravely note the past practice of the Tribunal in its reliance on figures and assumptions that have no basis on independent and correct data.
2. The Union unequivocally submits the need for such data to be collected and analysed by the Tribunal independent of the submissions made by the TWU and the Taxi Council. We state that there is currently no independent data available that is able to provide an accurate snap shot of the industry. We further note that this compilation and analysis is part of the Tribunal's terms of reference in its investigation to ensure it has data showing the cost of providing the services concerned.
3. The subsequent analysis and submission of the Union is therefore based on the best available data absent independent research being determined by the Tribunal.
4. The information and data the Union has collected shows the significant discrepancies in the Tribunal's current analysis and the need to correct the fares to reflect proper costs for bailee taxi drivers. The TWU believes that the average earnings of bailee taxi drivers in the Sydney Metropolitan area is approximately \$7.80 an hour. Even if the effect of Tariff II is included and the drivers' outgoings excluded the bailee taxi drivers' earnings are still no more than \$11.35 an hour. It is the Union's view that this unacceptable rate must be corrected. The Union believes that the appropriate figure is approximately \$16.25 which is based on the previous downtime figure determined by the Commission.
5. Our submission will show that in order for proper costs to be assessed by the Tribunal and correct previous false assumptions it would require a 40% increase in actual fares. Such an increase would provide a fair wage to bailee taxi drivers and properly take into account the actual costs a bailee incurs to bail a cab. This increase also properly takes into account the increase necessary to account for bailee drivers' superannuation and E-Tag which has previously not been considered as cost factors in the Tribunal's determination.
6. The Union has attached to this submission Annexure A and B which highlight the basis upon which we make our fare recommendations. Annexure A shows the impact of the data we have collated for the 2004/5 period and Annexure B explains the impact of a 40% increase would have on driver cost estimates. We note with concern

the paltry amount the taxi drivers earn in comparison to other contract carriers or employees in the transport industry. On the basis of these figures we note that our recommendation for an increase would lift the average fare from \$15.95 to \$25.80 with other elements of the taxi fare component comprising of the following:

**TWU RECOMMENDATION ON INCREASE IN FARES
TABLE 1**

	Current	\$	Proposed	\$	Adjusted	\$
Flagfall	Unit	2.75	Unit	4.00	Unit Super	4.00 1.00
Distance Rate	\$1.56 km/ 7 kms	10.92	2.10	14.70		14.70
Waiting Time	68.18 c/ 3 minutes	2.05	\$1.00/ 3 minutes	3.00	\$1.00/ 4 minutes	4.00
Booking Free	1/5 \$1.15	0.23	1/5 \$3.00	0.60	1/5.5 \$3.00	0.55
Tariff II Factor					4.5% of fares	1.75
Average Fare		15.95	40%	22.30		25.80

B. IMPACT OF NSW INDUSTRIAL RELATIONS COMMISSION DECISION

7. The Union noted in its interim submission that it would reserve final submissions to the Tribunal until the judgement of the NSW Industrial Relations Commission in matters relating to bailee superannuation, E-Tag and entitlements had been handed down.

8. That judgement of Commissioner Connor handed down 4 May 2005 poses critical changes required in the analysis and recommendation of taxi fares. The judgement of both matters is available online in the Industrial Relations Commission website on:

http://www.lawlink.nsw.gov.au/lawlink/irc/ll_irc.nsf/pages/irc_index

9. Judgement on both matters are expressed in the following terms:

IRC 4181/03 ('Taxi Super case')

- Taxi Industry (Contract Drivers) Contract Determination has been varied to provide occupational superannuation for bailee taxi drivers.
- For each occasion that a taxi driver bails a cab the bailor shall make a contribution on behalf of the bailee taxi driver to the driver's preferred superannuation fund which must be paid at the end of each calendar month.
- Calculation for superannuation will be based on actual earnings of the taxi driver to be calculated by the bailor on the Business Activity Statement ("BAS") or BAS declaration of income of the taxi driver.

- Superannuation provisions will start upon acceptance of a fare increase by IPART.

IRC 544/04 (“E-Tags & Entitlements case”)

- Taxi Industry (Contract Drivers) Contract Determination has been varied to provide a choice for taxi drivers in the use of E-Tags. The two choices are either: (a) a bailee taxi driver to use his/her own E-Tag in a taxi or alternatively (b) the bailee can use a bailor’s own E-Tag so long as at the end of each shift the bailee provides a statement of the amount charged to the E-Tag and pays that amount to the bailor.
- The application of the Taxi Industry Association to vary the Contract Determination to restrict a bailee’s entitlement to unpaid annual leave to two years from the date of the claim has been rejected by the Commission.
- The Taxi Industry (Contract Drivers) Contract Determination has been varied to amend the method of calculation of entitlements. Calculation regarding entitlements of bailee taxi drivers will now be based on drivers’ actual income as derived from a bailee’s BAS statement or declaration which the bailee must provide to the bailor quarterly. This will also be the method used to calculate the payment of superannuation to a bailee.

SUPERANNUATION

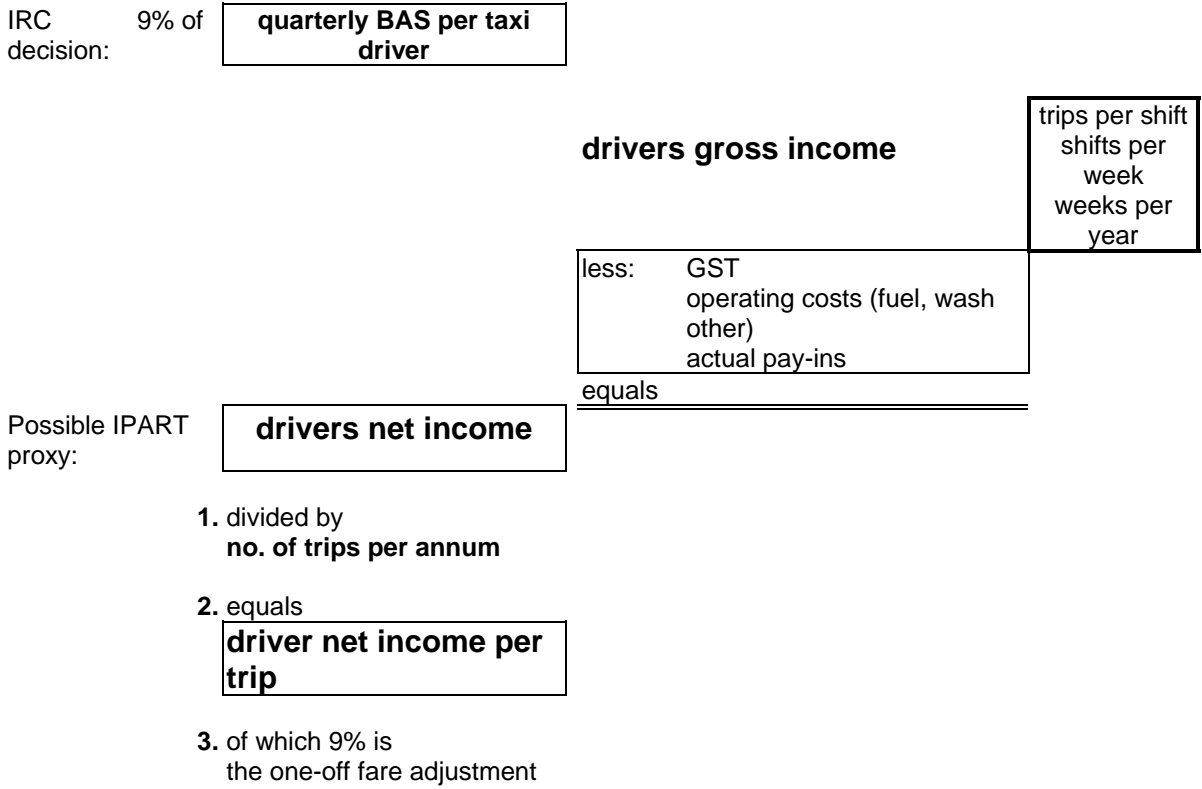
10. The Union specifically notes the Commission’s intent regarding role of the Tribunal in the provision of superannuation for bailee taxi drivers when Connor C states on para 34 page 21:

“...I believe that the entitlement to occupational superannuation should be made contemporaneously and dependant upon the flow on to the taxi owner bailors of the share of any fare increase from IPART which reflects it.”

11. It is the Union’s considered view that payment of superannuation contributions on behalf of bailee taxi drivers will be conducive to bailee taxi drivers building careers in the industry. The industry is renowned for its high rate of driver turnover and on current data estimate that driver retention is less than 80%. This high turnover has consequent problems of low productivity, low service levels and low remuneration. It is in the public interest that bailee drivers be encouraged to stay in the industry and would relieve the pressure on public finances of the costs of retirement, and the need to enhance retirement incomes.

12. On this basis the Union proposes the following model for IPART

**SUPERANNUATION MODEL
TABLE 2**



13. In this model we recommend that \$1.00 be added to the flag fall and the day shift pay-in be increased by \$15 and the night shift pay-in be increased by \$18 to compensate. The Union contends that these calculations reflect 9% of drivers' actual earnings.

E-TAGS

14. The impact of the Commission's determination regarding the cost and burden of E-Tag has left both bailors and bailees in essence responsible for its implementation. The issue the Tribunal needs to examine is what percentage and weight should it allocate to ascertain the cost of an E-Tag.

15. E-Tags have become necessary for taxis as Sydney tollways including the planned Cross City Tunnel make the use of E-Tags compulsory. The Union notes that the by-laws of taxi communication networks have been amended to make it compulsory for its members to have E-tag devices fitted in its cabs.

16. In the absence of accurate and substantiated information regarding the use of E-Tags the Union relies on the closing submissions of the Taxi Industry Association for the E-

Tags and Entitlements case where it ascertains the use of E-Tags to be approximately 75% of all Sydney taxis. Of this 75%, evidence presented by the Association at the hearing indicates that approximately 80% of those drivers use their own E-Tag device. The Union relies on this information as the best available evidence in the absence of independent data and indicates that this is best viewed as a cost item for drivers rather than operators.

17. The Union notes that the expense of an E-Tag for a bailee is more than just the actual purchase of the device. Evidence by member drivers presented to the TWU indicates that an extra five minutes is on average borne by the driver due to such an administrative cost. This cost the Union contends is the equivalent of approximately \$1000 per year for a bailee driver. This cost includes the cost of the E-Tag device, account keeping fees and bank charges along with the cost of administering the device on a regular basis.
18. The Union has subsumed this cost as part of driver outgoings in its data.

C. BAILEE DRIVER COST ESTIMATES

19. The Union has in Annexure A and B of this submission attached calculations on what we see are the effective bailee driver costs and income in 2004/05 and the effect on this data should a 40% increase on the fares be granted. This information has been collected in various taxi drivers' surveys compiled by the Union as well as anecdotal evidence presented by driver members to the TWU. We regard this information as the best available data in the industry in the absence of a comprehensive and accurate review.
20. In particular we note for the Tribunal edification as outlined in Annexure A the current day drivers' actual annual income of \$19,881 and current night drivers' actual annual income of \$28,802 as a significant barrier to drivers seeking to build a career in the industry. The Union believes that the figures as seen in Annexure B whereby those figures are increased to \$40,326 and \$61,984 respectively is appropriate and fair.

FUEL & WASH

21. The Union relies on its interim submissions regarding LPG FUEL and CLEANING. We note with concern drivers issues regarding fuel efficiency of a cab which we state on a well tuned car can return 5 kilometres per litre. This however is not often the case and data derived from drivers' state that this efficiency drops to below 4 kilometre per litre if a cab driven in congested traffic. Moreover we raise air conditioning usage as also another factor that increases fuel consumption. These factors to date have not been factored in any analysis of the fares.
22. Data collected by the Union show that the price in Sydney regarding LPG FUEL ranged from 36c/litre to 45c/litre. On this basis and in the absence of alternate independent data the Union contends that a price of 40c/litre would be a reasonable figure for assumption. The Union emphasizes that until such time that the Tribunal

can settle a model that is independently tested and verified these assumptions will unfortunately be the best data available to the Tribunal.

23. In relation to wash which is primarily the responsibility of the bailee driver, we note based on data collected by the Union that it averages approximately \$10 per wash. This amounts to an annual figure of \$2820 (based on a calculation of 47 weeks) or \$3500 (based on a calculation of 50 weeks) as a cost for bailee drivers.

GST

24. The Goods and Services Tax is as a matter of course taken out of the gross drivers' income as it is payable out of each day's fare earnings. The Union cites this as a cost that is burdened on both bailee and bailor. For the bailor the GST is already factored in to his cost structure allowing him to pay the tax only on the gross profits he earns. However the bailees have the whole burden of GST on their own fare earnings. It is on this basis that the Union argues its essential inclusion as a cost item for bailees. Our figures show that day drivers incur on average approximately \$16 per shift whilst a night driver incurs around \$14.00 to \$34.00 of GST.

DRIVER OUTGOINGS

25. The Union has combined all bailee expenses into one line item for simplification. These comprise of tolls (for tolls necessary that are not part of the fare), meal allowance, end of shift administration, mobile phone costs, taxi wash downtime, passenger no show cost, cost of fare evasions, downtime casual breakdown, taxi cleaning after soiling, cost of shoes, drivers license, stationary, uniform (if not supplied), union membership, refusal of Cabcharge dockets, accounting fees, lumbar seat support, taxi training, medical certificate and E-Tag administration costs. These costs account to approximately \$37,570.
26. These costs are real and genuine costs that are incurred by bailees on any given shift. The TWU believes that these costs are necessary to be included and considered by the Tribunal in assessing taxi costs.
27. The figures in both annexures account for only approximately \$17,061 of that total. The Union has pursued this course as some of the cost items are subject to opportunity costs and would need to be further verified by survey. On this basis a figure of \$32.50 per shift has been calculated and inserted to both annexures.

D. CONCLUSION

28. The Union has recommended a substantial fare rise due to the necessary correction required to ameliorate the plight of bailee taxi drivers in the industry. It is our firm view that if the Tribunal originally worked on correct and substantiated data in its first review it would not be in a position now to have to have to restructure its whole analysis.

29. The Union restates its view that in order for a proper review to occur in line with the Terms of Reference of the Tribunal, it must advise a fare increase only after an analysis of independent and accurate data that support the recommendation. We again contend that it is the role of the Tribunal to collect and analyse this information.
30. It is the Union's belief that an increase of that size will not have a negative impact on the industry. The taxi industry in the largest city in the country would substantially accommodate an increase of such proportion. It is a small step towards correcting and cleaning up an industry in need of an overhaul.

TRANSPORT WORKERS UNION OF NSW
19 MAY 2005

TWU TAXI DRIVER COST ESTIMATES

TAXI DATA 2004 / 05

	Day Shifts	Night Shifts										
		Mon	Tues	Wed	Thurs	Fri	Sat	Sun	5+6	6+7	47 Weeks	50 Weeks
Fares	\$ 270.00	\$ 270.00	\$ 280.00	\$ 315.00	\$ 345.00	\$ 480.00	\$ 480.00	\$ 320.00	\$ 3,520	\$ 4,110	\$ 165,440	\$ 205,500
Trips	15	15	16	18	19	26	25	18	194	227	9,118	11,350
\$ per Trip	\$ 18.00	\$ 18.00	\$ 17.50	\$ 17.50	\$ 18.16	\$ 18.46	\$ 19.20	\$ 17.78	\$ 18.12	\$ 18.07		
Paid Kms	105	125	130	140	180	250	250	150	1,600	1,855	75,200	92,750
Total Kms	230	270	280	280	325	365	365	275	3,035	3,540	142,645	177,000
Max Kms [CD]	260	300	320	320	350	400	400	320	3,390	3,970	159,330	198,500
Radio Jobs	3	3	3	4	5	5	5	4	40	47	1,880	2,350
Hours on Road	12	12	12	12	12	12	12	12	132	156	6,204	7,800
Paid Hours %	35%	35%	35%	40%	45%	55%	55%	35%	43%	42%		
LPG Usage (ltr)	51	60	62	62	72	81	81	61	673	785	31,631	39,250
LPG \$ [40c per ltr]	\$ 20.40	\$ 24.00	\$ 24.80	\$ 24.80	\$ 28.80	\$ 32.40	\$ 32.40	\$ 24.40	\$ 269	\$ 314	\$ 12,652	\$ 15,700
Wash \$	\$ -	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 60	\$ 70	\$ 2,820	\$ 3,500
Tariff II Fares %	3%	2%	2%	3%	4%	9%	9%	2%	4.57%	4.25%		
Tariff II Fares \$	\$ 8.10	\$ 5.40	\$ 5.60	\$ 9.45	\$ 13.80	\$ 43.20	\$ 43.20	\$ 6.40	\$ 161	\$ 176	\$ 7,574	\$ 8,783
Average Market Pay Ins	\$110.00	\$ 120.00	\$ 125.00	\$ 145.00	\$ 155.00	\$ 185.00	\$ 165.00	\$ 100.00	\$ 1,445	\$ 1,655	\$ 67,915	\$ 82,750
Pay-in \$ [Max CD]	\$ 130.00	\$ 141.00	\$ 144.00	\$ 155.00	\$ 175.00	\$ 199.00	\$ 199.00	\$ 154.00	\$ 1,663	\$ 1,947	\$ 78,161	\$ 97,350
Fuel & Wash \$	\$ 20.40	\$ 34.00	\$ 34.80	\$ 34.80	\$ 38.80	\$ 42.40	\$ 42.40	\$ 34.40	\$ 329	\$ 384	\$ 15,472	\$ 19,200
Driver GST \$	\$ 10.00	\$ 8.00	\$ 8.00	\$ 10.00	\$ 11.00	\$ 21.00	\$ 21.00	\$ 11.00	\$ 129	\$ 150	\$ 6,063	\$ 7,500
Driver Outgoings \$	\$ 25.00	\$ 35.00	\$ 35.00	\$ 38.00	\$ 40.00	\$ 45.00	\$ 45.00	\$ 35.00	\$ 363	\$ 423	\$ 17,061	\$ 21,150
Total Driver Expenses	\$ 185.40	\$ 218.00	\$ 221.80	\$ 237.80	\$ 264.80	\$ 307.40	\$ 307.40	\$ 234.40	\$ 2,484	\$ 2,904	\$ 116,757	\$ 145,200
Driver Income	\$ 84.60	\$ 52.00	\$ 58.20	\$ 77.20	\$ 80.20	\$ 172.60	\$ 172.60	\$ 85.60	\$ 1,036	\$ 1,206	\$ 48,683	\$ 60,300
Driver \$ per Hour	\$ 7.05	\$ 4.33	\$ 4.85	\$ 6.43	\$ 6.68	\$ 14.38	\$ 14.38	\$ 7.13	\$ 7.85	\$ 7.73		
Driver Income % Fares Nett of Tariff II	32.30%	19.65%	21.21%	25.27%	24.21%	39.51%	39.51%	27.30%	28.81%	28.62%		
Drivers Income % Fares with T II and No Outgoings	43.59%	34.22%	35.29%	39.57%	38.84%	54.33%	54.33%	39.69%	42.88%	42.48%		
Driver Gross Income with T II and No Outgoings	\$ 109.60	\$ 87.00	\$ 93.20	\$ 115.20	\$ 120.20	\$ 217.60	\$ 217.60	\$ 120.60	\$ 1,399	\$ 1,629	\$ 65,744	\$ 81,450
Driver \$ per Hour	\$ 9.13	\$ 7.25	\$ 7.77	\$ 9.60	\$ 10.02	\$ 18.13	\$ 18.13	\$ 10.05	\$ 11.43	\$ 11.26		

Note: Pay-in calculated at Maximum Rate
Actual average pay-in are noted above
but not used for totals

	47 weeks 5/6	50 weeks 6/7
Day Driver Income	\$ 19,881	\$ 25,380
Night Driver Income	\$ 28,802	\$ 34,920

Average Fare of \$18.10 compares with IPART, \$15.95
plus one extra minute of waiting time and a Tariff II factor

TWU TAXI DRIVERS COST ESTIMATES

Fares Increase by 40%

Proposed Fare Effect

	Day Shifts	Night Shifts							5+6	6+7	47 Weeks	50 Weeks
		Mon	Tues	Wed	Thurs	Fri	Sat	Sun				
Fares	\$ 270.00	\$ 270.00	\$ 280.00	\$ 315.00	\$ 345.00	\$ 480.00	\$ 480.00	\$ 320.00	\$ 3,520	\$ 4,110	\$ 165,440	\$ 206,400
Plus 40%	\$ 378.00	\$ 378.00	\$ 392.00	\$ 441.00	\$ 483.00	\$ 672.00	\$ 672.00	\$ 448.00	\$ 4,928	\$ 5,754	\$ 231,616	\$ 288,000
Trips	15	15	16	18	19	26	25	18	194	227	9,118	10,500
\$ per Trip	\$ 25.20	\$ 25.20	\$ 24.50	\$ 24.50	\$ 25.42	\$ 25.85	\$ 26.88	\$ 24.89	\$ 25.40	\$ 25.35		
Paid Kms	105	125	130	140	180	250	250	150	1,600	1,855	75,200	86,250
Total Kms	230	270	280	280	325	365	365	275	3,035	3,540	142,645	162,500
Max Kms [CD]	260	300	320	320	350	400	400	320	3,390	3,970	159,330	181,250
Radio Jobs	3	3	3	4	5	5	5	4	40	47	1,880	2,125
Hours on Road	12	12	12	12	12	12	12	12	132	156	6,204	7,125
Paid Hours %	35%	35%	35%	40%	35%	55%	55%	35%	41%	41%		
LPG Usage (ltr)	51	60	62	62	72	81	81	61	673	785	31,631	36,250
LPG \$ [40c per ltr]	\$ 20.40	\$ 24.00	\$ 24.80	\$ 24.80	\$ 28.80	\$ 32.40	\$ 32.40	\$ 24.40	\$ 269	\$ 314	\$ 12,652	\$ 14,500
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Tariff II Fares %	3%	2%	2%	3%	4%	9%	9%	2%	4.57%	4.25%		
Tariff II Fares \$	\$ 11.34	\$ 7.56	\$ 7.84	\$ 13.23	\$ 19.32	\$ 60.48	\$ 60.48	\$ 8.96	\$ 225.28	\$ 244.55	\$ 10,588.16	\$ 12,250
Average Market Pay Ins	\$110.00	\$ 120.00	\$ 125.00	\$ 145.00	\$ 155.00	\$ 185.00	\$ 165.00	\$ 100.00	\$ 1,445	\$ 1,655	\$ 67,915	\$ 78,750
Pay-in \$ [Max CD]	\$ 130.00	\$ 141.00	\$ 144.00	\$ 155.00	\$ 175.00	\$ 199.00	\$ 199.00	\$ 154.00	\$ 1,663	\$ 1,947	\$ 78,161	\$ 90,750
Fuel & Wash \$	\$ 20.40	\$ 34.00	\$ 34.80	\$ 34.80	\$ 38.80	\$ 42.40	\$ 42.40	\$ 34.40	\$ 329	\$ 384	\$ 15,472	\$ 17,750
Driver GST \$	\$ 16.00	\$ 14.00	\$ 15.00	\$ 17.00	\$ 19.00	\$ 34.00	\$ 34.00	\$ 19.00	\$ 213	\$ 248	\$ 10,011	\$ 11,625
Driver Outgoings \$	\$ 25.00	\$ 35.00	\$ 35.00	\$ 38.00	\$ 40.00	\$ 45.00	\$ 45.00	\$ 35.00	\$ 363	\$ 423	\$ 17,061	\$ 19,625
Superannuation	\$ 15.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 183	\$ 216	\$ 8,601	\$ 9,875
Total Driver Expenses	\$ 206.40	\$ 242.00	\$ 246.80	\$ 262.80	\$ 290.80	\$ 338.40	\$ 338.40	\$ 260.40	\$ 2,751	\$ 3,218	\$ 129,306	\$ 150,625
Driver Income	\$ 171.60	\$ 136.00	\$ 145.20	\$ 178.20	\$ 192.20	\$ 333.60	\$ 333.60	\$ 187.60	\$ 2,177	\$ 2,536	\$ 102,310	\$ 118,750
Superannuation Fund	\$ 15.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 183	\$ 216	\$ 8,601	\$ 9,875
Driver \$ per Hour	\$ 14.30	\$ 11.33	\$ 12.10	\$ 14.85	\$ 16.02	\$ 27.80	\$ 27.80	\$ 15.63	\$ 16.49	\$ 16.26		
Driver Income % Fares Nett of Tariff II	66.34%	51.82%	53.35%	59.05%	59.01%	79.52%	79.52%	60.31%	64.09%	63.62%		
Drivers Income % Fares with T II and No Outgoings	77.01%	66.13%	67.16%	72.83%	72.90%	91.48%	91.48%	72.36%	77.00%	76.42%		
Driver Gross Income with T II and No Outgoings	\$ 211.60	\$ 189.00	\$ 198.20	\$ 234.20	\$ 250.20	\$ 396.60	\$ 396.60	\$ 240.60	\$ 2,723	\$ 3,175	\$ 127,972	\$ 148,625
Driver \$ per Hour	\$ 17.63	\$ 15.75	\$ 16.52	\$ 19.52	\$ 20.85	\$ 33.05	\$ 33.05	\$ 20.05	\$ 22.34	\$ 22.05		

Note: Pay-in calculated at Maximum Rate
Actual average pay-in are noted above
but not used for totals

	47 weeks 5/6	50 weeks 6/7
Day Driver Income	\$ 40,326	\$ 51,480
Night Driver Income	\$ 61,984	\$ 75,320

Average Fare of \$25.50 compares with a notional IPART \$ plus one extra minute of waiting time and a Tariff II factor