

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

ROUNDTABLE ON IPART'S 2012 TAXI FARE REVIEW

TRIBUNAL MEMBERS

Dr Peter Boxall AO, Chairman  
Mr James Cox PSM, Full-Time Member  
Ms Sibylle Krieger, Part-Time Member

Members of the Secretariat

Ms Fiona Towers, Ms Jennifer Vincent and Ms Ineke Ogilvy

Held at IPART Offices, Level 8, 1 Market Street, Sydney

On Wednesday, 29 February 2012, at 2pm

.29/2/12 1

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1 OPENING COMMENTS

2  
3 THE CHAIRMAN: Let us get started. Thank you all for  
4 coming. Welcome to the public roundtable which is being  
5 conducted as part of our review of taxi fares in New South  
6 Wales to apply from July 2012. My name is Peter Boxall and  
7 I am the chairman of IPART. I would also like to introduce  
8 my fellow tribunal members and members of the IPART  
9 secretariat. On my right is Jim Cox, CEO and full-time  
10 member of the tribunal. On my left is Sibylle Krieger,  
11 part-time member of the tribunal. Also to my left are  
12 Fiona Towers, Jennifer Vincent and Ineke Ogilvy, members of  
13 the IPART secretariat, as well as Phil Manners from the  
14 CIE, the consultants who have been helping us with the  
15 current review.

16  
17 As most of you are no doubt well aware, we review fares for  
18 taxi services in New South Wales each year in line with  
19 our terms of reference and recommend new maximum  
20 fares to Transport for NSW in June. After considering our  
21 recommendations, the director general of Transport for NSW  
22 will decide on the maximum fares to apply and the date that  
23 they will come into effect.

24  
25 This year's review is one of our periodic reviews of  
26 the composition of the taxi cost indices that we use to  
27 estimate changes in the costs of providing taxi services  
28 from year to year.

29  
30 In December last year, we released an issues paper  
31 outlining the review process and the issues that we will  
32 consider in this year's review of taxi fares.

33  
34 The purpose of today's roundtable is to focus on three  
35 issues we have identified. As you know, we circulated  
36 discussion papers on the issues to assist in the  
37 preparation for today's discussion.

38  
39 We would like to provide stakeholders with the  
40 opportunity to present their views on these matters  
41 directly to the tribunal members, discuss them amongst  
42 themselves and for us to be given an opportunity to ask  
43 questions and clarify any issues we don't understand.

44  
45 I note that other relevant issues were raised with us  
46 in submissions and I would like to assure you that these  
47 issues will be taken into account in issuing our draft

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1 report. They will be addressed in the report to be  
2 released in April which stakeholders will get a chance to  
3 respond to.

4  
5 For each of the three sections of today's hearings, a  
6 member of the IPART secretariat will provide a brief  
7 presentation that outlines the key issues on which we are  
8 seeking comment. Then I will ask each of the stakeholders  
9 sitting at the table to make a brief comment that sets out  
10 their views on the particular issue. I ask that each  
11 stakeholder restrict their comments to the relevant topic  
12 and to take no more than five minutes so that this will  
13 allow everybody to have a chance to have their say.

14  
15 The hearing will be transcribed so that IPART has a  
16 record of what is said at the meeting which will assist us  
17 in our work and, of course, that record will be available  
18 to any member of the public through our website. Because  
19 we are making a record, it will be useful if you can  
20 introduce yourself and the organisation you represent for  
21 the benefit of the transcribers when you start to speak and  
22 it is also important to speak slowly and clearly.

23  
24 Section 1 is headed "Treatment of licence lease  
25 costs." I'll hand over to Jennifer Vincent, who will  
26 introduce the first session.

27  
28 Session 1: Treatment of licence lease costs

29  
30 MS JENNIFER VINCENT: As Peter mentioned, we will give  
31 only a brief introduction to each of those topics, since we  
32 have circulated the discussion papers before today and we  
33 are hoping that everybody has had a chance to read them.

34  
35 Taxi licence lease costs were identified in our issues  
36 paper as one of the things we wanted to have a look at this  
37 year. We do include licence lease costs in the taxi cost  
38 indices because they are a real cost faced by operators;  
39 however, we identified a couple of reasons why their  
40 inclusion is problematic, one of which is the circularity  
41 issue, which is that increases in leases feed increases in  
42 fares which feed increases in leases.

43  
44 The second issue was to do with the inflator that we  
45 use to inflate this part of the index from year to year.  
46 We currently use information that is provided to us on a  
47 commercial in confidence basis by the Taxi Council. We

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1 do have a general preference for using inflators that are  
2 publicly available, so we would like to canvass other  
3 possible alternatives to use as inflators.

4  
5 That brings us to the questions: the first one of  
6 which is:

7  
8 Assuming that fares are at an appropriate  
9 level, should lease costs remain in the  
10 Taxi Cost Indices?

11  
12 Secondly:

13  
14 If lease costs are in the Taxi Cost  
15 Indices, which inflator should be used?

16  
17 We could use the same inflator we use currently. We could  
18 use one based on government tender data. It was also  
19 pointed out to us today that the proposed amendment  
20 to the Passenger Transport Act to collect information about  
21 the cost of leases when they are entered into is  
22 another potential source of public information that could  
23 be used.

24  
25 The other two options that we canvassed were using a  
26 zero per cent inflator, using CPI; or, alternatively,  
27 something else that any of you can suggest.

28  
29 THE CHAIRMAN: Thank you very much, Jennifer. Let us  
30 open it up for discussion. Would you like to kick off, Peter.

31  
32 MR PETER ABELSON: I would like to make one or two points  
33 quickly. You say that the lease costs are a real cost. A  
34 real cost is a cost which has an opportunity cost and the  
35 licence fee is not a real cost in that sense. It is simply  
36 a transfer from the operator to another person who is not  
37 actually doing anything and just owns an asset. So it  
38 doesn't really qualify as a real cost.

39  
40 Secondly, you say "Assuming that fares are at an  
41 appropriate level" - well, that is a big assumption, of  
42 course, and I won't perhaps go there.

43  
44 Should lease costs remain in the TCI? I think a more  
45 appropriate approach would to be estimate the real cost  
46 using genuine economic concepts of driving taxis and  
47 operating taxis and then determining how much excess profit

1 you wish to build into the price which then gets embodied  
2 in the taxi lease plate. As you say, it is endogenous; it  
3 determines the price.

4  
5 Then if you took that approach, you would  
6 estimate the real costs and base your prices on that, with  
7 an allowance for the taxi licence. The taxi licence has  
8 gone up from about \$250,000 to \$400,000 plus in five or six  
9 years because, to put it bluntly, of IPART's overpriced  
10 services. I think it is a good argument for having a  
11 negative inflator on taxi licences and that they should be  
12 reduced by 10 per cent each year over time, not increased  
13 at all.

14  
15 THE CHAIRMAN: Thank you. Are there any other  
16 contributions around the table? Darryl?

17  
18 MR DARRYL BIGGAR: My name is Darryl Biggar. I am an  
19 economist. Thank you to the organisers for inviting me.  
20 My contribution, which some people tell me is not that  
21 helpful, is to say that I would question the use of the  
22 taxi cost index approach. I think that it is flawed and  
23 there is a fairly straightforward argument that shows it is  
24 flawed and I hope I can make that argument.

25  
26 If we imagine that there are different components or  
27 categories of taxi costs, drivers' earnings, fuel,  
28 insurance, maintenance, all those other things, and in  
29 addition there is this cost component, the taxi lease cost,  
30 then all those other services are provided in an elastic  
31 market - fuel, drivers and so on - so what determines the  
32 taxi lease costs?

33  
34 The taxi lease cost is the amount left over. It is  
35 the amount that the taxi licence holder can extract from  
36 the taxi operator. What does that mean? That means that  
37 if the taxi fuel cost goes up by 10 per cent, the taxi  
38 lease costs will correspondingly go down because the taxi  
39 licence plate holder can extract less money from the taxi  
40 operators.

41  
42 That sort of makes sense. As you would expect, all  
43 the rent would be extracted by the licence plate holders.  
44 If you take that perspective that the lease cost is the  
45 residual, the bit that is left over, then the taxi cost  
46 index - what is it tracking? Is it tracking anything  
47 meaningful? If the fuel costs go up by 10 per cent in this

1 world, the lease costs go down by exactly an offsetting  
2 amount. The overall TCI is left completely unchanged. If  
3 the drivers' earnings go up by 10 per cent for some reason,  
4 say because of change in supply and demand in the market,  
5 the taxi lease costs will go down by 10 per cent. The  
6 overall TCI would be unchanged.

7  
8 So the TCI is not tracking taxi costs at all. What is  
9 it tracking? The TCI would go up if the total amount of  
10 money that could be extracted from the taxi operators goes  
11 up, which is if fares go up. So I suggest that the TCI is  
12 tracking fare changes. It is a perfect circularity. If  
13 fares go up by 5 per cent giving 5 per cent more revenue  
14 into the industry, how much do the taxi costs go up in the  
15 TCI? They go up by 5 per cent.

16  
17 In that world - if I am correct and I am putting a  
18 hypothesis out there - does it make sense to tinker with  
19 the components of the TCI? Does it make sense to add or  
20 delete elements from the TCI, to change things later?  
21 I would say no. I would say the whole concept is flawed  
22 and should be replaced.

23  
24 In my other interventions, I will say this more  
25 clearly, but I think it should be replaced by a system of  
26 periodic price review, setting prices or revenues equal to  
27 costs, followed by an interim of something like CPI minus X  
28 where the CPI minus X is set at a level, as Peter Abelson  
29 has said, to extract the rent that currently goes to  
30 licence plate holders to reduce that to zero over time.  
31 I'll stop there, thank you.

32  
33 THE CHAIRMAN: Thank you very much, Darryl. Are there  
34 any other contributions around the table?

35  
36 MR PETER RAMSHAW: I believe we have answered this  
37 question in our submission, so I won't delve too much into  
38 what we have said. I am not sure what the answers of the  
39 two previous speakers were to those questions at the  
40 moment.

41  
42 There is a problem with circularity. I believe it's a  
43 problem. It's not just when the prices are going up. It's  
44 when prices are going down. It works in both directions.  
45 Everyone seems to focus on one half of the equation.

46  
47 I don't see why the reciprocal side of it is not

1 really ever mentioned, but it is a real cost. I don't  
2 think you can ignore it. People write cheques and people  
3 bank money. There is a real cost involved. It is just as  
4 real as goodwill or equity in other businesses. There is a  
5 value in the brand, if you like. There is a value in the  
6 licensing system that gives people standards in terms of  
7 service and quality. It makes no sense to ignore that and  
8 say that the system of regulation and licensing has no  
9 value.

10  
11 In terms of the inclusion in the index, there are  
12 problems whichever way you deal with it. Ignoring it or  
13 taking it out of the index means you are making assumptions  
14 that everything else is moving, that the average costs are  
15 moving in terms of the weighted average or the remaining  
16 costs. The index still comes to 100 per cent, so something  
17 is going to fill the void.

18  
19 We think the best solution for overcoming the various  
20 difficulties is to leave in a dummy variable that  
21 represents that part of the costs faced by taxi operators.  
22 That way the other weights in the index remain valid and  
23 then, in order to maintain its position in the index, you  
24 use a CPI-based inflator for it, which means that it meets  
25 the criteria of being publicly available and a transparent  
26 system. I think that is the least worst way of dealing  
27 with the issues that you have got.

28  
29 THE CHAIRMAN: Thank you very much, Peter. Anybody else  
30 at the table? I will keep on moving around. Yes, David.

31  
32 MR DAVID COUSINS: David Cousins, I am with the  
33 Victorian Taxi Industry Review, so these issues are relevant to  
34 us. At the moment, I have to emphasise that I am not  
35 representing the Victorian government in any way. I am  
36 really here as an individual in that sense, an interested  
37 observer, but these issues are exercising the review's  
38 mind, I think.

39  
40 The circularity issue has been highlighted here and it  
41 is clearly a major problem, there is no doubt about that.  
42 It is a ludicrous situation, actually, to allow licence  
43 values to escalate the way that they are and feeding into fares  
44 and vice versa. I would say that has to be fixed.

45  
46 I very much agree with the economists here. The  
47 question really I think you have to look at fundamentally

1 is what should be in the base of the prices. I think it is  
2 hard to sustain a view that really ultimately licence  
3 values or assignments should be part of the base fare.  
4  
5 The question is then, if that is the case, what does  
6 that say about what sort of escalator you use? Clearly it  
7 would be absurd to use escalators like CPIs and so on,  
8 which are continually moving away from probably where you  
9 want to get. So even a zero escalator doesn't help that  
10 much.  
11  
12 I think you outlined the issue up-front there about:  
13  
14 However, it is important to remember that  
15 the costs identified by the CIE are  
16 real costs faced by the industry.  
17  
18 and we can debate about what is a real cost but:  
19  
20 If regulated fares were set at a level that  
21 reflects economic costs only, there would  
22 be adverse consequences at least in the  
23 short term.  
24  
25 In the longer term matching fares to  
26 economic costs could put downward pressure  
27 on any inefficient actual costs, but in the  
28 short term it could create significant  
29 disruption.  
30  
31 Right; but how are you going to move from a short-term  
32 situation to the long-term situation? I think that is  
33 really what probably you need to face.  
34  
35 I would say that if you are going to use data from the  
36 Taxi Industry Council, or anyone else like that, that data  
37 should be fully transparent.  
38  
39 THE CHAIRMAN: Thank you, David. How about a driver?  
40  
41 MR TED HIRSCH: We again congratulate the CIE for its  
42 groundbreaking 2011/12 survey - great stuff - and we  
43 congratulate IPART similarly for having commissioned fresh  
44 consultants and giving them the necessary latitude and we  
45 welcome very much the new chairman.  
46  
47 My name is Ted Hirsch and this is Trevor Bradley. The

1 New South Wales Taxi Drivers Association is a volunteer  
2 organisation begun in 2004 representing all taxi drivers,  
3 bailee drivers, lessee drivers and owner drivers.  
4 Consequently it is also concerned with the interests of  
5 many operators. The New South Wales TDA shares with and  
6 strongly supports IPART's operational policies of openness  
7 and transparency.  
8  
9 The truth - the shocking truth - of the taxi industry  
10 are the elephants in the taxi industry that have now been  
11 revealed by the CIE survey. Truths that have in the past  
12 been provided as facts and information by the driver  
13 associations and, indeed, the IPART situation, we believe,  
14 and the fare review landscape has now fundamentally  
15 changed and we will come back to those things.  
16  
17 The truth and the facts are absolutely essential and  
18 transparency, as just mentioned, is essential in dealing  
19 with the secretive, closed, often inscrutable taxi  
20 industry; as is apparent and has been apparent in some  
21 IPART reports. But also, in ignoring the truth -  
22 unintentionally or otherwise - IPART must also be extremely  
23 careful it does not become captive to vested or any other  
24 specific taxi industry interests.  
25  
26 The truth is essential in dealing with the elephants  
27 that have now been established as revealed in the CIE  
28 survey, and there are about four of them, we believe.  
29 Huge. It is also essential in IPART effectively dealing  
30 with questions of plate costs and lease costs in the  
31 industry.  
32  
33 The implication, we submit, about present fare levels  
34 being appropriate, we regard as premature. Most  
35 importantly, it disregards the real elephants in the room.  
36 So, yes, now that the truth has been established, the facts  
37 of taxi plates and lease costs and their impact on the  
38 public and drivers and operators we believe must be  
39 maintained and published in all IPART fare reviews until  
40 such time as something can be done about them. Thank you.  
41  
42 THE CHAIRMAN: Thank you very much, Ted. Tim?  
43  
44 MR TIM REARDON: Thank you, chairman. Tim Reardon  
45 from Transport for NSW.  
46  
47 Just a couple of comments to kick off first. The New

1 South Wales government, when it came in, made it very clear  
2 that the customer is to be put at the centre of everything  
3 we do in our organisation and I think it is important that  
4 we always bring it back to that: that here talking about  
5 the regulation of pricing it has a customer impact and it  
6 is one of the things that doesn't get mentioned much,  
7 I must admit, in a lot of the reviews that are undertaken.  
8  
9 Along with availability and reliability, the  
10 affordability of taxi services remains a key concern for  
11 taxi customers. A significant proportion of our taxi  
12 customers are on low incomes and they rely heavily on taxis  
13 to get around. However, in Sydney, in particular, fares  
14 are relatively high compared to the rest of the nation and  
15 again with the customer at the centre of everything we do,  
16 those type of statements are always good to have up-front.  
17  
18 On the question of lease costs, I won't go into the  
19 technicalities too much, except to say I believe, as others  
20 have pointed out and acknowledged, that the circularity  
21 which exists in the process that we have - I will make a  
22 couple of others comments. Since 2009 the changes  
23 parliament made to the taxi licensing arrangements have  
24 seen the Department of Transport - now Transport for NSW -  
25 overseeing the annual determination of taxi licence  
26 releases and that has seen fleet growth in Sydney of about  
27 460 licences. Previous annual growth was around  
28 1 per cent. We now have growth in the last couple of years  
29 which is higher than that.  
30  
31 I bring that to attention to simply say that with the  
32 increase in the number of taxis on the road, licence values  
33 and lease costs may be stabilising, though it is probably  
34 too early to say whether that is a sustainable trend.  
35  
36 We also don't know the extent to which the circular  
37 relationship between licence costs and fares has added to  
38 what customers have been paying over time. I guess my  
39 closing statement on that is simply to say that I support  
40 the comments about transparency and I think there are steps  
41 we need to take in terms of looking in further detail on  
42 some of those issues, potentially for the 2013 review, and  
43 the options you provided in terms of CPI zero or other  
44 options, I will leave over to IPART to consider in its  
45 review process.  
46  
47 THE CHAIRMAN: Thank you very much, Tim. David Godden.

1  
2 MR DAVID GODDEN: There seems to be a problem in  
3 distinguishing between what economists are talking about as  
4 to real costs and the fact that drivers are clearly making  
5 real payments in terms of leases. I think it is helpful to  
6 think in terms of a public company; let's pick one out  
7 here, Rio Tinto or somebody like that. They are making a  
8 distribution of profits through dividends to shareholders.  
9 The lease cost is exactly the same kind of thing; it is a  
10 distribution of profit.  
11  
12 Now, think of what would happen if Rio Tinto tried to  
13 include dividends to shareholders as part of its cost of  
14 production, they are likely to run foul of all sorts of  
15 regulators. I ask people to distinguish between what are  
16 clearly real payments and what are really dividends, which  
17 is what I think the lease payments are.  
18  
19 There are two other things with respect to the taxi  
20 cost indices, which I think are not very well handled in  
21 the report. The first is that what has been estimated,  
22 I think by CIE, is the total costs of running a cab. As an  
23 economist, I am not really interested in total costs.  
24 There are at least two other concepts out there that are  
25 important. One is average cost, which again is not going  
26 to help you - and that is average cost per unit of  
27 patronage - the average trip or something like that.  
28  
29 What economists are really interested in, and I think  
30 it will come out in part 3, is the marginal cost. That is,  
31 if we increase the amount of patronage, how much do costs  
32 go up? I think that is a really significant issue and it  
33 is not dealt with in the way that the questions are asked.  
34  
35 An allied question is: what is happening with new  
36 technologies? We know that in all other industries new  
37 technologies drive costs down when we are talking about  
38 marginal costs. The question is what is happening to new  
39 technologies in the industry and what are they doing to  
40 costs? The one that is clearly important - and it is not  
41 identified - is what is happening with driver GPS systems?  
42  
43 To me, as an occasional patron of taxis, GPS systems  
44 have made an enormous difference. I can give an address to  
45 a driver and be fairly confident that they will actually be  
46 able to get there, whereas, often in previous years, I was  
47 actually guiding drivers to get to my home because they

1 didn't - and realistically couldn't - know every address  
2 in Sydney.  
3  
4 The other technological change which has been in the  
5 press recently is what has happened with iPhone apps, which  
6 is I think potentially an even bigger elephant in the room  
7 because the cost indices allow for booking fees and it  
8 may be that booking fees happen in a completely different  
9 way in the future, which is going to be difficult to take  
10 account of through the kind of index that you have got set  
11 up.  
12  
13 THE CHAIRMAN: Thank you very much, David. Michael.  
14  
15 MR MICHAEL JOOLS: Michael Jools from the Australian  
16 Taxi Drivers Association.  
17  
18 The first issue that we think needs to be clarified by  
19 IPART is this difference between real and actual costs.  
20 There is a lot of confusion, not only in this area but in  
21 several other parts of IPART's activities, as to real and  
22 actual. We are not satisfied with what appears to be the  
23 results of that and I think we need a greater degree of  
24 understanding as to real as opposed to actual. Plate costs  
25 certainly are out there, they are a part of reality. They  
26 are real costs, they are not actual costs in any sense of  
27 the word but they are there and they are paid for.  
28  
29 What puzzled us enormously was the neglect by IPART of  
30 that other option, which was just briefly discussed by  
31 Jennifer then, namely, that the Department of Transport has  
32 started its long-awaited reporting of transactions or is  
33 about to bring in an amendment to the passenger transport  
34 regulations that requires the reporting of transactions.  
35 That will give IPART, and everybody else, transparently the  
36 information that we are waiting for. I think it is strange  
37 that IPART, in all this paperwork, fails to mention that  
38 critical and new aspect of the plate lease fees. They are  
39 aware of it now but I would have thought it would be part  
40 of the documentation.  
41  
42 We have been talking about elephants and all sorts of  
43 things on the way through. There are options which are  
44 available to government. They are not available to IPART,  
45 but they are available to government. The extent of these  
46 plate lease fees is absolutely ludicrous. It is putting  
47 an average of \$3 on the fare that the average passenger

1 pays. That is what it actually amounts to. It is within  
2 the province of government to reduce that. It is up to  
3 government to have another look at how tenders go out, how  
4 the licences are issued and itself to drive down that  
5 point.  
6

7 We have made a suggestion in our papers: we think  
8 that an overall new system in which government issued, if  
9 necessary, an unlimited number of new licences but for  
10 \$1,000 a year to experienced drivers and on the sole  
11 condition that they be driven by an employed driver or the  
12 operator himself would have an enormous and immediate  
13 impact on plate fees. They would drop to \$1,000. That  
14 would chop \$2.85 off the average fare. That would help the  
15 punters out there. That would help the population. Why  
16 does not government take an approach? Why is it relying on  
17 that which IPART itself cannot do?  
18

19 THE CHAIRMAN: Thank you very much, Michael. Trevor,  
20 would you like to say something?  
21

22 MR TREVOR BRADLEY: Just very briefly, in answering what  
23 you say is question 1: assuming the fare levels are at the  
24 appropriate level, should the lease cost remain in the  
25 TCIs? The assumption is assuming but the assumption is  
26 wrong - the fares are not at the appropriate level. In any  
27 case, I believe that for this year the lease costs must be  
28 included if the TCI model is to be kept real, so it is  
29 consistent.  
30

31 I would suggest the real issue that IPART must deal with  
32 is that they must report to the government that there is a  
33 problem with the lease - as Michael has said - the problem  
34 with the way they are issuing leases. IPART must bring it  
35 to the attention of the government and ask them to review  
36 the way they are doing leases. IPART should put it to the  
37 government to fix that problem because, as Michael has  
38 pointed out, it is directly within the province of the  
39 government to fix that problem itself. All this  
40 circularity and volatility, they have actually created that  
41 problem. I would urge IPART to make some sort of report or  
42 comment to the government to do something about it.  
43

44 THE CHAIRMAN: Thank you for that. Thank you all very  
45 much. Now we have a chance to take some questions from  
46 the audience. Can you identify yourselves, please, when you  
47 come up to speak.

1  
2 MR ERNIE MOLLENHAUER: My name is Ernie Mollenhauer.  
3 At the moment I am speaking as an individual. I sympathise  
4 with the tribunal in trying to get the right answer to the  
5 question that has no right answer. It wouldn't matter what  
6 lease price you choose or what inflator you choose, most of  
7 the time any single number would be grossly wrong. The  
8 Helensburgh fringe plates were leased at an annual  
9 reckoning of \$2,020 per annum. Tranche 2009/10 saw plates  
10 list at \$40,000 per annum. So somewhere between \$2,020 and  
11 \$40,000 per annum is a lease price, but any lease price you  
12 choose will be wrong in regard to both the outliers and all  
13 the ones in between.

14  
15 Where I look to IPART for protection is in their other  
16 terms of reference, which are not getting a mention here  
17 and didn't get a mention in the 2011 report, which is the  
18 protection of consumers, especially taxi drivers, for whom  
19 the inclusion or exclusion of a lease price in a TCI is  
20 almost irrelevant. What matters is whether or not the taxi  
21 driver can afford to come back to work the next day.

22  
23 What we look forward to, as individual drivers, is a  
24 pricing system that prices the work that you want us to do,  
25 in a fair way, that diminishes the statistics that you  
26 should be looking at that show that 31 million jobs were  
27 rejected by drivers last year and 1,500 taxis on average  
28 were sitting idle last year, whilst the number of  
29 disappointed customers continues to grow. They are evident  
30 by their reduced requests for radio bookings. They are  
31 evident by their reduced usage of the whole taxi industry.  
32 Please focus your attention on the issues that matter and  
33 that is getting taxis in front of passengers with drivers  
34 who can afford to remain in the job. Thank you.

35  
36 THE CHAIRMAN: Thank you very much, Ernie. We have a  
37 question from Jim and then we will move to the audience.

38  
39 MR JIM COX: Thank you, Peter. I think both Michael and  
40 Tim have talked about the issue of scarcity of plates and  
41 that obviously is an issue the government is addressing or  
42 about to address in its release program. But in the  
43 situation now, where we can assume there is a scarcity of  
44 plates, suppose if we were to accept some of the  
45 suggestions what we should do is to, say, increase the  
46 plate component only by zero or perhaps even reduce them,  
47 that doesn't alter the fundamental reality of scarcity. It

1 seems to me that is going to emerge in some other form,  
2 such as longer waiting times or drivers being unwilling to  
3 drive or operators being unwilling to have vehicles on the  
4 road and these things would be almost equally as  
5 undesirable as the plate lease situation. Would anyone  
6 like to help me think my way through these issues?

7  
8 MR ABELSON: Yes. This is a problem, of course, because  
9 you have an average price that applies across the whole  
10 year and every hour of the day. Certainly there is excess  
11 demand for taxis in the peak hours and people aren't  
12 allowed officially to charge more, so taxis stay back; they  
13 have means of selecting who they are going to service. But  
14 in the off-peak, there is huge considerable excess supply  
15 because the prices are ridiculous in the off-peak; they are  
16 far too high and not attractive to customers. The  
17 distinction between the peak and the off-peak I think is  
18 quite fundamental and something that hasn't yet been done.

19  
20 THE CHAIRMAN: Thank you, Peter. We will have another  
21 question from someone in the audience.

22  
23 MR BURRAGE: My name is Michael Burrage. I haven't got  
24 the expertise that other people around the table have. All  
25 I have got is 40 years in the industry as an owner,  
26 operator and a driver. So I can see the questions from  
27 every angle. First of all I would like to say about the  
28 leasing plates that as an owner I bought the cab the same  
29 as I did my house. Once it's paid off, I suppose it's not  
30 an expense, but I don't treat it as that. The business has  
31 to operate properly and it has to make a profit whether a  
32 lease fee is there or not. As I say, I am not an expert on  
33 whether it should be or not, but I don't think there is a  
34 case to answer, really.

35  
36 As an operator, leasing cabs, as the gentleman over  
37 here said, my fuel costs go up, my costs go up. What I  
38 have to do as an operator is work more efficiently and this  
39 has never been mentioned by anybody here. Mr O'Farrell, in  
40 his political speech before the election, said that  
41 efficiency is revenue. I understand he meant by that that  
42 he comes into this department here and he looks to see how  
43 efficient you are and if you're not, well, some staff go.  
44 Likewise, we've got to look at that in the taxi industry as  
45 well. The taxis have to work efficiently. Working  
46 efficiently is having a passenger in the taxi.



1 At the moment, I estimate the taxis are only engaged  
2 for 30 per cent of the time. From that, anybody with the  
3 expertise over here, if they go and see how long we wait  
4 for a fare or not, can easily work out what our hourly rate  
5 is, our takings and I will tell you now it's \$30 an hour.  
6 You can then multiply it by the number of hours a driver  
7 works - whether it's nine, 10, 11, 12 or 16 sometimes -  
8 according to that. Now, that is efficiency and that is  
9 what we've got to look at. I think that is all for the  
10 time being but there might be some other questions when  
11 I come back later.  
12  
13 THE CHAIRMAN: You can come back later. Are there any  
14 other questions on this part of the agenda?  
15  
16 MR RAMSHAW: Peter Ramshaw from the Taxi Council. I  
17 don't think I mentioned my position before.  
18  
19 This is in response to Jim's points, I suppose. I  
20 think he touched on something very important there. We  
21 need to be mindful here in what we are setting out to  
22 achieve. People have been modifying the questions but also  
23 modifying the goals, I think. Government policy, not in  
24 IPART's forum, dictates that there are licences that are  
25 required to operate taxis, how many there are effectively  
26 one way or another, and therefore the value inherent in  
27 those things is really not something that is driven by taxi  
28 fares, it is driven more by government policy elsewhere.  
29  
30 In my mind, an index that IPART has accepted to use to  
31 adjust taxi fares each year is something that you are  
32 setting out to measure changes in costs. It is not  
33 something that you have set up to try and use to influence  
34 those costs. In fact, that circularity question is  
35 something we are trying to get rid of with the leases and a  
36 lot of the comments that have been made here seem to be  
37 indicating that we should be using this method to try and  
38 influence the costs in the index, where in actual fact it  
39 is the reverse of what I think you are trying to do.  
40  
41 THE CHAIRMAN: Thank you, Peter. Tim and then Ted.  
42  
43 MR REARDON: Thank you, Mr Chair.  
44  
45 Very quickly, Transport for NSW must determine the  
46 number of new licences that will be issued in Sydney for  
47 2012/2013 financial year by 31 March. I think it is

1 important to have it on the record, to respond to some of  
2 Jim's comments. That is an annual determination, will also  
3 determine the number and class of licences to be reserved for  
4 drivers. We have issued a discussion paper and we are in  
5 the process of finalising what that determination may look  
6 like.  
7  
8 In terms of the model to do that, we have an external adviser  
9 and that has been in place I guess for the same amount of  
10 time as say IPART was in the early 2000s when IPART first  
11 undertook its model for the taxi cost index and I think  
12 that is important to note that its maturity is where it is,  
13 in terms of using that process.  
14  
15 I would suggest that there is an interplay between  
16 those two processes that I think is quite clear. I won't  
17 say any more about it than that, except to say where at the  
18 same time it is valid for Jim to have raised that and for  
19 me to respond about those exact time lines.  
20  
21 THE CHAIRMAN: Thanks, Tim, Ted, would you like to  
22 speak next?  
23  
24 MR HIRSCH: I apologise. I have lost track a bit of where  
25 we are at. In response to question 2 about the inflators,  
26 which is a puzzle for us, having listened carefully to the  
27 comments around the table, we are inclined at present for  
28 plate leases to be included, for very strong reasons, and  
29 perhaps have a mutual inflator of zero per cent meaning no  
30 change up or down, for the reasons that IPART provided in  
31 its discussion paper, until, and only until, the real  
32 elephant in the room of taxi plates and lease costs has  
33 been addressed and resolved as it must be, as others have  
34 also said.  
35  
36 In that regard, and these questions avoid the  
37 elephant, the truth of the matter is that overseas and  
38 local plate owners contribute absolutely nothing to the  
39 taxi industry - nothing - but they extract a parasitic  
40 \$30,000-odd per annum, per taxi, from Australian passengers  
41 and drivers and operators while drivers are on slave rates,  
42 as we will come to in the next section, courtesy of the CIE  
43 survey, and operators are on a pittance, ditto.  
44  
45 There is a long history to this - I won't go into  
46 that; I will spare you that - but on at least two  
47 occasions, NSW TDA has submitted the account of a very

1 simple and highly effective rort. The Taxi Council  
2 actively boosts, during IPART, operator pay-ins and then  
3 seeks IRC adoption of the IPART recommendations - all nice.  
4 As soon as this is done, the Taxi Council promptly issues  
5 letters to all the operators announcing the new pay-in and  
6 the majority of those operators raise their pay-ins  
7 accordingly, approved by IRC - I won't go into further  
8 details - which the drivers then pay from, hopefully, the  
9 increased earnings from the increased taxi fare to their  
10 customers. Shortly after that, the unregulated networks  
11 announce that the plate lease fees have gone up for the  
12 operators to pay from their increased pay-ins. A rort  
13 successfully completed, thank you very much - very neat,  
14 very successful.  
15  
16 The Transport Department issuing leases now may have  
17 modified that rort somewhat, but it has been a standing  
18 rort. It perhaps confounds much of the economic discussion  
19 and comments that have been made, I don't know. But the  
20 real point is that questions 1 and 2, we believe, disregard  
21 the elephant in the room, the elephant of a pernicious  
22 impact of plate costs and leases on the public and on the  
23 taxi industry.  
24  
25 These matters are peripheral to the overseas and local  
26 plate owners who contribute nothing but who extract \$30,000  
27 per annum, per taxi, approximately, from the passengers  
28 while drivers are on slave rates and operators on a  
29 pittance. That should be the focus, we believe.  
30  
31 THE CHAIRMAN: Thank you very much. Last comment, David?  
32  
33 MR COUSINS: I may not get a chance under the other  
34 headings to make this point: I don't understand fully the  
35 details of the New South Wales situation, but it seems to  
36 me strange, to be honest, that the tribunal in recommending  
37 prices would just look at one side of the coin, which is  
38 costs, and cost movements.  
39  
40 There is another important aspect here and that is  
41 demand. As was mentioned before, wouldn't it be ludicrous,  
42 if vehicles were running around 30 per cent utilised, for  
43 you to be further increasing costs? But that is the  
44 implication of your cost index or relying on that alone.  
45 I think it is really important to monitor things like  
46 waiting times for customers and vehicle utilisation for  
47 drivers to really get a proper handle on both sides of the

1 coin.  
2  
3 THE CHAIRMAN: Thank you, David. Are there any other  
4 final comments before we move on to the next item on the  
5 agenda?  
6  
7 MR MICHAEL HATRICK: I am Michael Hatrick. I am a bailee  
8 taxi driver of 32 years experience, full time, continuous.  
9 We have heard that there is a 30 per cent utilisation of  
10 taxis and of the ridiculousness of increasing fares as a  
11 flow-on when that situation exists.  
12  
13 I'd like to say that a lot of the reason why there is  
14 such a small utilisation, at critical times particularly,  
15 of taxi usages by drivers comes from a situation where the  
16 operators of taxis opt not to bail their taxis out to  
17 people like me for the simple reason that there is no real  
18 labour component in the meter rate.  
19  
20 I know this organisation has had this under its  
21 purview since I would say the last 11 or 12 years, but  
22 there is no flow-through from the decisions made here to  
23 the Industrial Relations Commission that effectively  
24 addresses the issue of driver earnings. I have something  
25 here and I won't take long to read it. It's only about one  
26 paragraph.  
27  
28 THE CHAIRMAN: We are getting on to driver labour costs  
29 next, Michael. Do you want to hold fire till then?  
30  
31 MR HATRICK: All right, but let me conclude. The  
32 operators are finding it very, very difficult to cover the  
33 insurance costs of bailing their taxis out because the  
34 drivers are working ungodly hours and having accidents.  
35 That has contributed very gravely to the availability of  
36 taxis.  
37  
38 THE CHAIRMAN: Thank you. Let us take all that on board  
39 and move on to driver labour costs, which is the next item  
40 on the agenda. That is a useful point on which to move on.  
41 I'd like to ask Ineke to introduce our second session  
42  
43 Session 2: Treatment of driver labour costs  
44  
45 MS INEKE OGILVY: The next session is on our treatment of  
46 driver labour costs in the taxi cost index. They are the  
47 largest component of the index, about 40 per

1 cent of the costs.  
2  
3 The last time we did a reweighting survey in 2008, we  
4 had no reliable information on actual driver labour costs,  
5 so we had to include a proxy value. The proxy we used was  
6 based on the annual leave value in the contract  
7 determination for permanent bailee drivers in Sydney.  
8  
9 The CIE survey this time has provided some information  
10 on actual earnings that suggests that they are much, much  
11 lower than we had previously included in the taxi cost  
12 index. So we have the option of using the actual driver  
13 labour costs in the index that we got from the CIE survey  
14 or we can continue to use an appropriate proxy. We could  
15 use a number of things that have been raised in  
16 submissions. We could continue to use the contract  
17 determination, either the annual leave rate or the downtime  
18 rate, grade 2 classification for a hire car driver or a  
19 taxi driver in an award, or a part-time bus driver's wage  
20 as I think PricewaterhouseCoopers suggested in 2007.  
21  
22 The other thing we need to do is to decide whether or  
23 not to continue to use the wage price index (WPI) as the  
24 inflator for this cost item. We have used it in the past,  
25 but CIE survey results suggest that the wage price index  
26 might not be a good estimate of actual changes in driver  
27 earnings over time.  
28  
29 So the questions that we want people to focus on today  
30 are:  
31  
32 Do CIE's estimates reflect the actual costs  
33 of drivers' labour?  
34 Which alternative measures of drivers'  
35 labour most closely reflect drivers' actual  
36 labour costs?  
37 Are there any accurate and transparent  
38 sources of information relating to changes  
39 in actual driver labour costs?  
40  
41 THE CHAIRMAN: Thank you very much Ineke. Let us  
42 move around the table. Would you like to start, Michael?  
43  
44 MR JOOLS: Thank you. It is of considerable concern to  
45 the Taxi Drivers Association that any measure of labour  
46 costs be other than the legal costs  
47 that an employer or an industry should be paying. The

1 notion that is coming through that it could be retained  
2 earnings, which CIE estimate at something less than \$30,000  
3 per full-time driver per year, is ludicrous.  
4  
5 We already have a figure, which is the downtime  
6 figure, in the contract determination, which is \$20.16 per  
7 hour, which is the amount payable when a vehicle is off the  
8 road for no fault of the driver. We think that is the  
9 correct wage as such of the taxi driver. But we also think  
10 that if you don't include that which every other industry  
11 is liable to pay, namely, the entitlements of a worker, we  
12 have a situation that is not only intolerable, but amoral,  
13 immoral and possibly illegal.  
14  
15 For any institution in our society to predicate a set  
16 of costs that the fares represent which is based on slave  
17 labour of taxi drivers at something around \$10 an hour is  
18 absolutely intolerable. It may be the figure that they are  
19 prepared to accept, but we are seeing that the reason why  
20 up to 50 per cent of the cabs are not on the road on a  
21 Monday night is that half the drivers are not mug enough to  
22 go out and drive for \$7.50 an hour. That is the reality.  
23  
24 It is improper, enormously improper for IPART to make  
25 as a basis of analysis the fact that the industry can be  
26 run on slave labour. That is our biggest issue, I think, in  
27 terms of labour costs. We have many ways of measuring it.  
28 There are ways in front of us. We should use those, but we  
29 should use them sensibly and we should be looking at paying  
30 a fair wage for a fair day's work.  
31  
32 THE CHAIRMAN: Thank you, Michael. David, would you  
33 like to say something?  
34  
35 MR COUSINS: Yes, just a quick comment. It seems strange  
36 that if there is some sort of award protection that that is  
37 not influencing the wage. The only point I would make is  
38 that it seems to me, in a sense, that if you can't control  
39 the wage through the fare setting mechanism, it looks like  
40 something around the enforcement of wage levels is missing.  
41  
42 THE CHAIRMAN: Any other comments around the table?  
43  
44 MR HIRSCH: I had to refrain from calling out "Hear, hear"  
45 when I heard the first speaker.  
46  
47 The shocking truth, the stark shocking truth, revealed

1 by the CIE findings are that estimated drivers' earnings  
2 are below minimum wage levels by a significant margin.  
3 Wow! See page 58 of the CIE report, and at page 44, it  
4 observes that estimates of operators' earnings are very  
5 low. I think most of us on the taxi industry side of the  
6 table can attest to that as well. Amazingly, IPART does  
7 not even refer to any of those two findings in any of these  
8 papers. What is going on guys?  
9  
10 The scandal of taxi driver slave labour earnings has  
11 been known for years. It has been deliberately contrived  
12 to be maintained for years by some interests and, in many  
13 cases, by the officers of IPART and the IRC, and continues  
14 to these present submissions.  
15  
16 With regard to the public scandal of slave labour  
17 conditions, I refer you to the Sydney Morning Herald,  
18 page 3. That's how scandalous the whole thing is - loud  
19 and clear. This is straight from, as I read it, although  
20 it doesn't say that, the CIE survey reports, and not a  
21 leak, I don't believe.  
22  
23 Further, we had the tabloid coming out colourfully the  
24 next day stating that taxi drivers earn \$200 less, it  
25 seems, than trolley collectors, whatever trolley collectors  
26 are. That vocation must be hugely more dangerous than  
27 those of taxi drivers. For God's sake, it's unbelievable.  
28  
29 But these things are all ignored in IPART. How can  
30 that be? I thought that, in civilised countries, the  
31 working conditions were part and parcel of wage  
32 considerations, or earnings in the case of drivers because  
33 they don't earn wages, as we know.  
34  
35 The CIE also found not only these devastating findings  
36 but also, as part and parcel elsewhere, the reasons for  
37 drivers leaving. There have already been comments here and  
38 there about drivers leaving the industry, and the numbers  
39 are reported by the Department of Transport. There are two  
40 reasons - pay and work conditions, and it is not  
41 surprising.  
42  
43 The indisputable pro forma answer to question 1 about  
44 actual costs is: yes, the CIE estimates reflect actual  
45 driver earnings infinitely better and more truthfully than  
46 any 2007 PwC survey and better and more truthfully than  
47 IPART "notional" wages which, by the way, the NSW TDA has

1 turned away from, despite its original submission this year  
2 to you, for the reasons to a large extent listed in the  
3 discussion papers.  
4  
5 But why and for what motivation is IPART now suddenly  
6 questioning and seemingly evading the driver earnings  
7 survey results, to a degree that we do not recall in other  
8 matters in past years and not addressing head on the  
9 elephant of driver earnings and operator earnings - the  
10 devastating findings? IPART must address the truth and how  
11 to achieve decent actual earnings rates, to which we don't  
12 have an answer, but we will come back to it later.  
13  
14 THE CHAIRMAN: Thank you very much, indeed. Peter?  
15  
16 MR RAMSHAW: I am certainly not critical of the survey or  
17 the work that CIE has done in any way, but in terms of  
18 accurately reflecting our drivers' earnings, I don't think  
19 the results stack up and I don't think you can have any  
20 real confidence that they are accurate.  
21  
22 I have given three or four examples of validating  
23 information, if you like, from other sources to try and  
24 provide a comparison to see whether they do match in any  
25 way. The survey results come in much lower than anything  
26 we can use as a benchmark, if you like, to try and compare  
27 them.  
28  
29 If you were to use the actual costs as a result of the  
30 survey in the index, then I think you would need to have a  
31 high degree of confidence that the figures are accurate and  
32 I really don't think that you can have that confidence.  
33  
34 In terms of alternative measures, I believe there is  
35 justification in using an opportunity cost method. To pick  
36 up on Tim Reardon's point before, what we focused on here  
37 is providing a service to customers. In order to do that,  
38 we have to attract people to work in the industry. What  
39 they will be doing is comparing the opportunity costs of  
40 working in the taxi industry compared with alternative  
41 forms, and I think that provides the basis for using that  
42 as a measure to weight that in the index, so that is what  
43 I would suggest.  
44  
45 THE CHAIRMAN: Thank you, Peter. Darryl?  
46  
47 MR BIGGAR: Thank you for the opportunity to speak again.

1  
2 First of all, I wish to respond to some of the  
3 comments that have been made earlier. As an economist, my  
4 understanding is, and I think this is the consensus of  
5 other economists, that the changes in the formulation of  
6 the TCI will have no impact whatsoever on drivers'  
7 earnings. So I think that needs to be said because  
8 drivers' earnings are determined by supply and demand in  
9 the marketplace. Maybe there is an impact as well of the  
10 Industrial Relations Commission, but changes in the TCI  
11 will have no impact.  
12  
13 I want to underline again the point that I made  
14 earlier, which was that we are asking the question of the  
15 formulation of the TCI. I would urge IPART to consider the  
16 argument I made earlier that the TCI is not working perfectly.  
17 Even if it is working perfectly if you believe the notion  
18 that the lease cost is the residual, it is the amount of  
19 money, that is, equity, extracted from the industry.  
20  
21 If you include the lease cost in the TCI, then the TCI  
22 is not at all a measure of costs; it is a measure of the  
23 changes in total revenue in the industry. Therefore,  
24 polishing the TCI doesn't seem to me to make sense. It  
25 seems to me we are in danger of counting the number of  
26 angels that can dance on the head of a pin. It is not just  
27 relevant. Thank you.  
28  
29 MR ABELSON: There might be an element of repetition here.  
30 I imagine that the CIE estimates are broadly accurate.  
31 There might be a bit of gaming and understating of wages,  
32 but the issue is: if you pretend the wages are \$40 an hour  
33 instead of \$20 an hour, which is effectively what IPART has  
34 been doing, as has been pointed out, it makes absolutely no  
35 actual difference to what the workers will earn because it  
36 depends upon the demand and supply. That, as David  
37 Godden has pointed out, simply goes to the profits.  
38  
39 Likewise, there is simply no point in just changing  
40 the index and saying, "We will make the drivers' wages  
41 25 per cent instead of 35 per cent", and pick everything up  
42 to make up for that, because you are then just working off  
43 an inaccurate base, and that would be a very silly kind of  
44 way to approach it.  
45  
46 I think you should work with best estimates of what  
47 workers are achieving in the industry. To do otherwise is

1 to increase prices unnecessarily to consumers and to pass  
2 things through to the leaseholders.  
3  
4 I entirely agree that it would be a good idea for taxi  
5 drivers to earn a bit more. To do that, you need to change  
6 the structure of the industry, allow people to run their  
7 own businesses, to escape from networks, to lower price so  
8 there is more demand and so forth. I think those types of  
9 things should be done, but with regard to your terms of  
10 reference, my answers are really the same as before;  
11 namely, to pretend the drivers are earning more than they  
12 are achieves nothing and puts up prices for consumers.  
13  
14 THE CHAIRMAN: Thank you very much, Peter. Tim?  
15  
16 MR REARDON: In terms of the prices that are regulated  
17 throughout the transport system - ferries, trains, buses -  
18 taxis is the only area where we certainly struggle for  
19 transparency in terms of total revenue collected.  
20  
21 We have raised, in the determinations for licence  
22 release, the notion of a taxi meter swing as an option for  
23 collection of data to at least get some transparency into  
24 what takings are. There is a whole range of issues around  
25 confidentiality, et cetera, but those matters need to be  
26 dealt with in aggregated terms. It is a matter that will  
27 not go away and needs to be dealt with to take the  
28 estimating out of the discussion.  
29  
30 THE CHAIRMAN: Thanks, Tim. Trevor?  
31  
32 MR BRADLEY: In the issues paper, you mentioned that CIE  
33 put two options to put in the weighting for notional wages  
34 using the CIE, or notional wages using what is called the  
35 appropriate proxy, which I presume is the established  
36 regime that you have been using.  
37  
38 I would suggest that, for this year, you use the same  
39 inflator for the notional wages for the sake of comparison  
40 from year to year. What is most critical, and I believe  
41 IPART should do and in fact IPART must do, is to start a  
42 new taxi cost index based on the CIE figures. You can't  
43 leap just from the 232,000 of last year down to 144,000  
44 this year; otherwise you would have a 38 per cent drop in  
45 the one year. That is a statistician's problem.  
46  
47 I believe the way to do that is to carry on for this

1 year and start again with a new TCI based on the real  
2 costs, or as near to real as you can get but much more real  
3 than the CIE costs, and then work from there and then work  
4 from the incremental. That is the first point.

5  
6 If we look at what you call taxi drivers' costs which  
7 is, in other words, the actual drivers' income, when we  
8 look at the CIE figures, they reveal that. In any one taxi,  
9 in each fully working taxi, you get about 125 hours labour  
10 per week. That works out at about 2.5 taxi drivers or just  
11 over three normal workers at 40 hours a week. To pay those  
12 three workers, their 40 hours, if we go simply from what  
13 the taxi drivers are actually getting to the minimum rate  
14 per hour of \$15.50 per hour, which I believe is the minimum  
15 wage, you would have to have an increase of about 27 per  
16 cent.

17  
18 If we use the hire car drivers' rate, as has been  
19 mentioned, it would require a 36 per cent increase. This  
20 is without entitlements, by the way. If we use the leave  
21 entitlements that have been mentioned of \$19.42 to an hour,  
22 it is a 44 per cent increase. If we use the downtime rate  
23 mentioned by Michael of \$20.16, we need a 37 per cent  
24 increase. If we simply go back from the CIE figures to  
25 what IPART was saying in its 2011 model that they believed  
26 taxi drivers were earning, it would be a 60 per cent  
27 increase. If we could use the casual bus drivers' rate,  
28 which we have been told we are supposed to get, which is  
29 probably the true figure we should be getting, that would  
30 be a 76 per cent increase. That should be food for some  
31 thought.

32  
33 THE CHAIRMAN: Indeed.

34  
35 MR BRADLEY: I will leave it there.

36  
37 THE CHAIRMAN: Thank you, Trevor. David?

38  
39 MR GODDEN: There are a couple of points that I want to  
40 make. Firstly, if I understand the bailment system  
41 correctly, it seems to me that most taxi drivers are closer  
42 to being subcontractors than they are to being a standard  
43 employee. If I am right, that means that there is a lot  
44 more capacity for negotiation between either owner  
45 operators or operators and the drivers over basically the  
46 distribution of the profits; that is, the net revenue once  
47 direct costs are taken into account.

1  
2 If I am right and they are really subcontractors  
3 rather than employees, then I think that explains a lot of  
4 the dispute or differences of opinion about drivers and  
5 their incomes and the way that they work. Particularly  
6 given the kind of survey that CIE has done, it seems to me  
7 that there is a lot of potential richness in that survey to  
8 better understand the characteristics of drivers.

9  
10 I want to know about the distribution of work by  
11 drivers. How many of them are really full-time drivers?  
12 How many of them are part-time drivers? How many of them  
13 have other sources of income? It seems to me that it is  
14 only when you better understand the workers in your  
15 industry - are they really equivalent to employees and are  
16 they subcontractors and what is the nature of their working  
17 conditions - then you are in a better position to be able  
18 to make determinations about how, if at all, labour costs  
19 are already included in the cost index.

20  
21 THE CHAIRMAN: Thank you very much, David. Questions  
22 from the floor? Yes, Michael.

23  
24 MR BURRAGE: Michael Burrage again. As an operator  
25 I dread your fare increase. I happened to look through my  
26 records for the year 2000 and working as an operator,  
27 dividing the pay-in from my drivers, I could accumulate  
28 \$1,455, which went up with GST in 2000 to \$1,600. At those  
29 rates, I could afford to have a couple of shifts off the  
30 road.

31  
32 Then we go to 2010. With every shift covered, my  
33 total is \$1,725, which is \$125 more in possible pay-ins for  
34 me than 10 years ago. In fact, what has happened is with  
35 10 years of pay fare rises of 3 per cent, say 33 per cent,  
36 I am actually getting 10 per cent - or we are actually  
37 20 per cent behind than I was 20 years ago. Why do I do  
38 that? Because I'm a driver and I go out and drive myself.  
39 Although I'm an owner - forget that though, that's my  
40 house, that's paid off - I am leasing cabs, and I go out as  
41 a driver and I put a pay-in in, which a driver should pay  
42 me, I pay myself and I can see what a driver can take.  
43 Yes, I would love my drivers to consistently go home with,  
44 say, \$22 an hour, less GST \$20. My pay-in structure gives  
45 them the possibility to do that if they work efficiently,  
46 as I said before.

1 As an operator I have to work efficiently. My cabs  
2 have to be on the road 14 shifts every week. The department  
3 here will give me a clap. My cab is on the road on a  
4 Sunday, on a Monday night. I have no trouble finding  
5 drivers on a Monday night because my pay-in structure is  
6 suitable for them to go out.  
7  
8 I came into the industry 40 years ago for personal  
9 reasons. I was a migrant. Fortunately I spoke the  
10 language. I went into an industry where I could work seven  
11 days a week, 24 hours a day and exactly that same position  
12 as now, with our inflow of migrants - except unfortunately  
13 they don't speak the language as well as I do, or perhaps  
14 some of them speak better than I do even now, I can assure  
15 you that. For the people that come into the industry as  
16 drivers it is used as an entry or an exit, and I describe  
17 Michael Jools on this.  
18  
19 They come into it because they are migrants. They  
20 want a job. They want to work seven days a week, 24 hours  
21 a day. They are not used to our lowest wage and all that  
22 and they don't want to do that. Most of the drivers also  
23 would be a round peg in a square hole anywhere else.  
24 I have drivers that want to play golf on a Tuesday and  
25 Wednesday. They can work Saturday and Sunday and make  
26 up. They can work five days. I don't think we ought to go into  
27 that fact too much, as long as the operation of running the  
28 taxi gives the driver what he wants.  
29  
30 What I would like to say now, as I say, is that  
31 I dread your fare increase. In fact, I would love what any  
32 other business does - it's a trade-off. I would love  
33 Pricewaterhouse to come to you and say "Look, don't give  
34 them a fare rise, but we won't put 200 taxis on the road  
35 because I'm only efficient for 30 per cent of the time".  
36 When I said that, I'm efficient for 100 per cent of the  
37 time as an operation, but when I go out as a driver. The  
38 cab is only occupied for 30 per cent of the time.  
39  
40 If we had fewer cabs on the road - and I don't want to  
41 horrify anybody about that - but if our efficiency rate  
42 went up to 45 per cent, there would be more revenue. The  
43 drivers would get more money. We could even come to you  
44 as the industry and say, "We don't want a fare rise." Once  
45 again somebody here spoke - I think it was the Department  
46 of Transport - and said that we've got to say "Are our  
47 fares too high? Can we make them cheaper?" We can make

1 them cheaper by holding them at a set price, but we cannot  
2 have Pricewaterhouse doing their figures, which to me are  
3 incomplete and not accurate, saying to the minister that we  
4 want so many more taxis on the road, which then would  
5 diminish our 30 per cent efficiency even less and it will  
6 make everything much harder. Thank you.  
7  
8 THE CHAIRMAN: Thank you very much, Michael. Any other  
9 questions or comments from the audience? Ernie.  
10  
11 MR MOLLENHAUER: I would just like to read a few page  
12 references from the 2011 review of fares in New South Wales  
13 by IPART. Firstly, referring to the terms of reference,  
14 item 2:  
15  
16 The protection of consumers from abuses.  
17  
18 I don't see in this report anything about protecting taxi  
19 drivers from abusers. Terms of reference number 6:  
20  
21 The so-called impact of the  
22 recommendations.  
23  
24 We have had perhaps the misfortune of sitting down with  
25 taxi drivers at general meetings where drivers and  
26 operators are almost in tears as they face losing their  
27 homes and losing their businesses because they cannot  
28 recruit drivers to take out their vehicles, so their cabs  
29 are sitting idle. The reason that they can't get drivers  
30 is that the drivers are not prepared to work for the money  
31 that is on offer in the industry.  
32  
33 I would certainly like to underscore the veracity of  
34 the CIE survey that suggested drivers were earning as  
35 little as \$7.50 an hour on Mondays and Tuesdays. I can  
36 certainly put a human face on that and I would argue for  
37 all that I am worth that 2,500 respondents to that survey  
38 were not colluding and were not lying, they were absolutely  
39 truthful.  
40  
41 There is an argument in the air to say that drivers  
42 have an option to work on a commission basis. That is a  
43 spurious argument and there are a precious few, if any,  
44 drivers in Sydney working on a commission basis. The one  
45 that I know is here in the room now and I don't know of any  
46 others in Sydney. An operator who is offered or is  
47 requested by a driver to work on a commission basis will

1 quickly learn that that driver knocks off when the night  
2 goes quiet. Working a short shift might give them a better  
3 hourly rate but it doesn't give the driver enough to live  
4 on and it doesn't give the operator enough to cover the  
5 cost of his taxi business.

6  
7 The other two sentences I would like to read in the  
8 minutes are on page 22 of the same review from 2011. The  
9 first sentence, written by IPART:

10  
11 We are required to consider the impact of  
12 our recommendations on stakeholders other  
13 than the taxi industry and we have done  
14 this in making our decisions.

15  
16 I have to ask why? What about the impact on the  
17 stakeholders in the taxi industry? It is a gross injustice  
18 for a predatory and reprehensible system to profiteer off  
19 the misery of individual taxi drivers. To say that because  
20 drivers continue to work under these conditions is  
21 justification to continue doing so, is criminal. It is  
22 reprehensible.

23  
24 The other sentence I would like to read in the minutes  
25 from the same page, 22, IPART again saying:

26  
27 We then considered the implications of our  
28 recommendations for passengers, the  
29 government and the environment.

30  
31 You considered everybody except taxi drivers. What about  
32 us? We are consumers too. You have it on clear record  
33 that the earnings are inadequate and miserable. The  
34 responsibility rests with you to do something about it.

35  
36 On page 38 of last year's recommendations you made the  
37 observation:

38  
39 There was an increase in ring-backs this  
40 year, again an interesting result given  
41 that there are more cars on the road, fewer  
42 bookings requested and a higher proportion  
43 of total pick-ups as a percentage of  
44 bookings requested.

45  
46 That is clearly due to the fact the drivers cannot afford  
47 to respond to short, remote local work, where the distance

1 to the pick-up point is so large by comparison to the paid  
2 part of the journey that it is just an uneconomic job  
3 prospect.

4  
5 If a driver has been waiting two hours to get a job  
6 and is then offered a \$4 fare or a \$6 fare 5km away, he is  
7 better off without it than with it and unless the pricing  
8 structure recognises that those short fares a long way from  
9 the position a taxi is in at the time the job offer is  
10 made, unless those short fares are repriced, the situation  
11 there will get worse.

12  
13 You observed that the numbers of radio bookings has  
14 continued to diminish. Naturally if drivers are not going  
15 to pick up the people who ring for cabs, the passengers  
16 learn to stop ringing but if the  
17 drivers are going to lose money by sitting in the cab or  
18 lose money by going out to pick up those short, remote  
19 fares, they cannot justify going to pick them up, they  
20 cannot justify returning to drive that cab again.

21  
22 Unless IPART takes on the responsibility of pricing  
23 the components of each journey - the journey to the pick-up  
24 point, the journey with the passenger on board and the  
25 subsequent journey after the passenger has been dropped  
26 off - the pricing model that you use will not reflect the  
27 work demanded of the driver, the earnings of the driver  
28 will continue to fall because passengers and drivers won't  
29 meet.

30  
31 We look to you for protection. We look to you to  
32 broker a fair deal between willing passengers who want a  
33 taxi to come for them and drivers who expect reasonable  
34 earnings for their efforts. At the moment the oppressive  
35 fare structure thwarts commerce between willing drivers and  
36 willing passengers. Thank you.

37  
38 THE CHAIRMAN: Thank you very much, Ernie.

39  
40 MR HATRICK: I am the driver on method 1. I believe I'm  
41 the only driver on method 1 of the contract determination.  
42 Just 10 days ago I went to a radio network and asked them to  
43 provide me with the worksheets that are relevant to drivers  
44 who work on method 1. Look at these worksheets. I bought  
45 10 pads. The person serving me at the shop  
46 of the radio network made the remark that I seem to be the  
47 only driver who ever buys them, so there we are.



1  
2 The issue of drivers, as was brought up just now by  
3 Ernie, being given the option to work on method 1 over the  
4 January period, I have just read it and the submission of  
5 the relevant party here today. I believe it was an  
6 oversight more than an intention to misinform IPART.  
7 I say that because, in my experience over  
8 January, the operators and the managed cab base  
9 situations, which is probably what was being alluded to  
10 here,  
11 often give the drivers the option to pay on a 50:50 basis  
12 over the month of January.  
13  
14 But that is not method 1. These guys are not being  
15 offered method 1-type entitlements, which are totally  
16 different to the entitlement structure on method 2.  
17 They have just been told "Look, if you pay 50:50" - or  
18 whatever - "as a percentile of the total take, good for you  
19 and good for me" and that's the way it goes in my  
20 experience.  
21  
22 I will raise a few other points. A comment was made  
23 some time ago about if the drivers are to be paid properly  
24 for what they do, something other than the present  
25 situation of bailor/bailee will have to grow out of this  
26 type of discussion. No, I don't think that at all.  
27  
28 Back in 1968 the New South Wales government  
29 commissioned the Industrial Relations Commission of  
30 New South Wales to preside over an inquiry into the taxi  
31 industry by the president of the Commission, Beattie J, and  
32 two other judges sat on that Commission. It became known,  
33 colloquially in legal centres, I believe, as the Beattie  
34 report. The Beattie report recommended that there only be  
35 one method of transaction between bailor and bailee in this  
36 industry and it went to define bailor/bailee, by the way,  
37 an industrial uniqueness to the Sydney taxi driving  
38 situation. And they recommended that it only be by way of  
39 percentile of the total take: method 1.  
40  
41 In 1981, the first ever industrial agreement came into  
42 being in the taxi industry. I am told that in that  
43 agreement there was a clause that allowed for a taxi rental  
44 situation, but the drivers were to be no more disadvantaged  
45 than if they were on the percentile split. In 1984, we  
46 ended up with what we still have today and that is the 1984  
47 contract determination. That went one step further. That

1 allowed for a method 1-type situation and a method 2  
2 situation but there was no no-disadvantage clause in it. It  
3 also allowed for a clause that enabled drivers to be sacked  
4 without any reason or notice. I took that up in the  
5 Industrial Relations Commission and won out of that and it  
6 is no longer in the contract determination, as it has been  
7 updated ever since.  
8  
9 I believe that if the drivers were to be allowed to  
10 work under method 1 in a situation that they were given a  
11 fair vote - in other words, no collusion was applied to  
12 them - they would operate under method 1. They would not  
13 have to pay for the fuel and the wash, which is an item  
14 that you have to pay under method 2. Up until some time in  
15 the mid 1990s, even under method 2 - the rental situation -  
16 the owners were obliged to pay for the fuel and wash.  
17  
18 What I am trying to illustrate here is the whole  
19 transactional flow between operator and driver has been  
20 white-anted away since the time of the Beattie report to a  
21 point now where the drivers, for this and other reasons,  
22 are way behind the eight ball.  
23  
24 THE CHAIRMAN: Michael, I am just wondering if we can  
25 pause now and you can take up further points in the next  
26 session.  
27  
28 MR HATRICK: Sure, no problem.  
29  
30 THE CHAIRMAN: Are there any other questions or comments  
31 before we have a short break? Phil Manners from CIE.  
32  
33 MR PHIL MANNERS: I might just make a few comments  
34 about the accuracy of survey. The survey had quite a good  
35 response rate. There are a few different issues that can  
36 be involved in survey accuracy. One is you don't get  
37 enough responses so you can't say you have got a good  
38 sample and, secondly, you could just have everyone lying to  
39 you.  
40  
41 The first issue we think is not really an issue  
42 because the response rate was pretty high, particularly for  
43 the taxi industry.  
44  
45 On the second issue, we have done a number of  
46 cross-checks of our results against measures of revenue  
47 from other sources and our estimates and labour rates don't

1 seem that far off.  
2  
3 THE CHAIRMAN: Thank you, Phil. To Jim and then Ted.  
4  
5 MR COX: I wanted to ask a question, actually, to Peter  
6 Ramshaw which follows on from the things that Phil was  
7 saying.  
8  
9 I think you said that you had attempted to verify the  
10 CIE survey estimates and they did not stack up. I am  
11 interested to hear a bit more about that. You may have it  
12 in your submission - if this is the case I apologise. It would  
13 be good to know a bit more about what you tried and what  
14 the problems were.  
15  
16 MR RAMSHAW: I will add that there are other potential  
17 sources of error, if you like, in terms of the survey. One  
18 is there are timing issues to do with the sample. The  
19 survey I think addressed a period of one week. You are  
20 extrapolating that across a whole year. We know there is a  
21 high degree of variability from week to week or month to  
22 month through the year. So there are a range of other  
23 factors that could have an effect and I won't go through  
24 all of these but that is one example.  
25  
26 The figures that I looked at or that I compared it to,  
27 firstly, was the benchmark rate that the Australian  
28 Taxation Office uses for people who file income tax  
29 returns. They look at the amount of kilometres that a taxi  
30 does. I think currently \$1.18 per kilometre is their  
31 threshold. They publish all these benchmark rates on  
32 their website, by the way. It has the 2009 year, I think  
33 that in probably 2009 or 2010 it was \$1.18.  
34  
35 If you are reporting takings of less than \$1.18 per  
36 kilometre, then they suggest you go and have a check that  
37 your record-keeping is correct and what have you because  
38 that is something that will bring you to their attention  
39 where they will undertake an audit or whatever they want to  
40 do to follow up.  
41  
42 I would recommend IPART talk to the tax office about  
43 what information taxi drivers are providing them. If they  
44 can make that available to you, that is another potential  
45 source. Again there is obviously self-reporting, but the  
46 tax office seems content to take that at least as a lower  
47 threshold where they start to ask or question the figures.

1  
2 I guess there is a general sort of commonsense, if you  
3 like, or plausibility issue. We have had very low levels  
4 of unemployment in places like Sydney in recent years and  
5 that people are willing to work for those rates and the  
6 cabs are still out there on the road comes into question  
7 I think if that was really what people were getting.  
8  
9 THE CHAIRMAN: Thank you, Peter. Ted and then Michael.  
10  
11 MR HIRSCH: I gather, Mr Chairman, that you are winding  
12 up on this session or getting close to it.  
13  
14 THE CHAIRMAN: Close to it, Ted, yes.  
15  
16 MR HIRSCH: Would you indulge me if I were to circulate  
17 that document and people can probably look at it during  
18 that break.  
19  
20 THE CHAIRMAN: I think that is fine Ted, thank you.  
21  
22 MR HIRSCH: I won't explain it at the moment, but it is  
23 useful, hopefully, especially to IPART and CIE, with regard  
24 to the sort of information that they have previously in CIE  
25 table 1, which were the so-called costs - the earnings and  
26 costs of the industry - which then leads, of course, into  
27 the universally admired TCI.  
28  
29 If I may, questions 1, 2 and 3 in this section are  
30 peripheral. They will be relevant to the elephants in the  
31 room. The estimated driver earnings below minimum wage  
32 levels by a significant margin and the observations that  
33 estimates of operator earnings are very low. Also these  
34 questions in this section are very peripheral to the IPART  
35 admissions in the discussion papers: that raising taxi  
36 fares does not necessarily mean driver earnings going up.  
37 So what are we doing? Continuing with slave labour rates?  
38 What are we doing? That is the argument and that is the  
39 question, I would submit.  
40  
41 The IPART business-as-usual approach is then rather  
42 inappropriate, I would submit, with respect, when the clear  
43 and irrefutable evidence is that estimated driver earnings  
44 are below minimum wage levels by a significant margin. By  
45 the way, I do not think it is terribly appropriate for some  
46 members around the table - and you will have to forgive me  
47 - to be concerned about the precise accuracy of the driver

1 earnings, nor IPART; namely, perhaps by how much or how  
2 little the driver earnings are below the minimum wage. Is  
3 that what we are asking? Is that what we are  
4 investigating? Fantastic. Let's get out of that minimum  
5 wage for starters.

6  
7 The issues that IPART must now address are not simple  
8 technical trivia of actual labour costs and alternative  
9 measures of driver costs and information or changes to  
10 driver costs; it must embrace the truth and the facts that  
11 driver and operator earnings have been starkly exposed by  
12 the surveys. IPART has a clear responsibility to work out  
13 how to achieve better - somehow - and I think that's a huge  
14 question, no doubt - than slave rates for taxi drivers and  
15 how to achieve better than a pittance for operators. Those  
16 are the giants that should be addressed.

17  
18 THE CHAIRMAN: One last comment from Michael.

19  
20 MR JOOLS: The question of the ATO rules is quite  
21 interesting and the stats from the ATO equally so. The  
22 stats that are before us issued in 2012 refer to a period  
23 in 2009. They refer to a period when the average taxi did  
24 150,000km a year. CIE is now telling us we do about  
25 107,000. We are down to a third on previous activities.  
26 All the other figures similarly reflect that.

27  
28 The figure that is in the guidelines, the average  
29 income from bailment, is \$88,000 for a taxi driver which is  
30 reflected by the fact that it is \$58,000 for all the taxi  
31 drivers. The tax department's rulings are a little bit  
32 unrelated to Sydney as it stands and that is one of the  
33 major issues that we face. If the industry - and I think  
34 the tax department probably wasn't far wrong in 2009 - said  
35 150,000km, we are now doing 107,000km, there has been a  
36 dramatic and immediate change in what has gone on. We are  
37 not addressing that change.

38  
39 The problem of driver earnings is that in 2009 we  
40 probably had 10,000 trips a year. We are now down to 8,000  
41 trips a year. The loss in taxi driver earnings is not so  
42 much coming from the fare structure or anything else, it is  
43 the fact that we have less work. We have got a huge amount  
44 less work. We are making a huge amount less money.

45  
46 What concerns me, then, is that this group here now is  
47 focusing on single issues - lease prices, taxi driver

1 incomes. We are not being holistic in any sense. No work,  
2 to my knowledge, has yet started on saying, "Well, what  
3 if?" and what is the scenario that will produce a fair  
4 income for all parties? What is the scenario that will  
5 enable taxi fares to be satisfactorily reduced for the  
6 community? What is the result that will give a fair return  
7 to investors?

8  
9 We are not as yet - and I trust that IPART will be  
10 taking it up - working out what is an alternative scenario.  
11 How many shifts does a cab need to be on the road? At the  
12 moment, we are finding out that we are working for 10 out  
13 of 14 shifts. But a few years ago, according to Michael  
14 Burrage there, he, as one operator, can get 14 shifts, and  
15 he has to, to make his business work.

16  
17 How can we be looking at a totally inefficient and  
18 unproductive industry and saying, "Everything's fine.  
19 Let's juggle the little bits" when cabs are out there for  
20 10 out of 14 shifts? How can we do it when a third of the  
21 cabs that are off the road at any one time? How can we do  
22 it when we are working with passengers for less than half  
23 the time? There is a global issue about the industry that  
24 needs to be addressed and I do not see IPART taking a  
25 holistic, global interpretation of what is going on. This  
26 forum is wonderful. We are doing little bits at a time.  
27 We are not looking at a bigger picture and we are not  
28 modelling: what if? What scenario does work? How about  
29 spending some time on that?

30  
31 THE CHAIRMAN: Sure. Thank you very much. Let's have a  
32 short break. We will need to be pretty short, so we will  
33 see you all in about three or four minutes.

34  
35 SHORT ADJOURNMENT

36  
37 THE CHAIRMAN: Let us resume for session 3. We might  
38 run a little over time, but it has been a very good discussion  
39 so far and a lot of good points have been raised. Again I  
40 will hand over to Ineke to introduce that session.

41  
42 Session 3: The level of fare revenue compared with costs

43  
44 MS OGILVY: Thank you, Peter. I will give a quick  
45 introduction to this section again. The main purpose of  
46 the last two sessions was about reweighting the current  
47 taxi cost indices.

1  
2 We would also like to make sure that the TCIs are  
3 being applied to fare levels that are appropriate. We have  
4 not been able to do that in the past because we have not  
5 had reliable information on revenue. We are considering  
6 whether or not we can use the survey that CIE has done to  
7 determine whether or not the level of fares needs to be  
8 reset by checking the estimated revenues against estimated  
9 costs.  
10  
11 We have stakeholders in basically two different camps  
12 on this issue. We have some that have argued that fares  
13 need to go up quite significantly in order to raise the pay  
14 of drivers. We wanted to note that taxi fares have risen  
15 by more than the consumer price index and more than the  
16 wage price index over the last 12 years. As you can see on  
17 this chart, the taxi fares are the top two, but there is no  
18 evidence to suggest that driver or operator earnings have  
19 kept pace with these increases.  
20  
21 Some, in their submissions, have argued that fares  
22 should be  
23 significantly lower. Essentially they are arguing that  
24 past fare increases have contributed to higher licence  
25 values but have not flowed through to drivers and  
26 operators, that driver incomes are determined by the supply  
27 and demand for driver labour and are independent of the  
28 level of fares that we set, and that lower fares could  
29 increase the demand for taxi services.  
30  
31 The questions that we want to focus on today are:  
32  
33 Do you agree that raising fares will not  
34 result in higher earnings for drivers.  
35 ... what would happen to returns in the  
36 industry if fares were reduced? Would  
37 lower fares create more demand for taxi  
38 services?  
39 Are there any other justifications for  
40 re-setting the level of fares, other than  
41 to reflect changes in the annual cost of  
42 providing the taxi services measured by the  
43 Taxi Cost Indices?  
44  
45 THE CHAIRMAN: Thank you very much, Ineke. Let's move  
46 around the table. Why don't we start with Peter.  
47

1 MR ABELSON: I will directly answer the question and then  
2 make one extra comment.  
3  
4 We are, of course, touching on points we have already  
5 made. With question 1, clearly my view is that increasing  
6 fares will not increase earnings for drivers for the  
7 reasons that Ineke pointed out.  
8  
9 Secondly, with regard to the question "Would lower  
10 fares create more demand for taxi services", I think they  
11 certainly would. I am not quite sure what the economists  
12 call elasticity would be, but think I might be about 1; in  
13 other words, a 10 per cent reduction in fares would  
14 probably produce at least a 10 per cent increase in  
15 service.  
16  
17 Question 3:  
18  
19 Are there any other justifications for  
20 re-setting the level of fares, other than  
21 to reflect changes in the annual cost of  
22 providing taxi services measured by the  
23 Taxi Cost Indices?  
24  
25 Of course, the answer to that is yes, because the base  
26 seems to be wrong and those are points that have already  
27 been made.  
28  
29 There is one other point. On page 3, you say that if  
30 regulated fares were set at the level that reflects  
31 economic costs only, there would be adverse consequences at  
32 least in the short term. You do use this phrase "adverse  
33 consequences" in two or three points here, but it looks a  
34 little more like rhetoric. I am not quite sure what  
35 adverse consequences are except, of course, we do know  
36 that with the licence fee, there would be a change in asset  
37 value. I am not sure really whether there would be any  
38 adverse consequences in terms of operations. The fact is  
39 we have chronically adverse impacts on consumers from  
40 overpricing. I would like to try to get away from this  
41 notion of adverse consequences as they are rather  
42 rhetorical. Perhaps they could be specified a bit. The  
43 consumers actually, I think, have had an adverse  
44 consequence from overpricing for some time.  
45  
46 THE CHAIRMAN: Thank you very much, Peter. Darryl?  
47

1 MR BIGGAR: Thank you for the opportunity to speak again.  
2 I would like to underline what Peter Abelson has said and  
3 just to repeat those points. Is it the case that raising  
4 fares will result in higher earnings for drivers? I don't  
5 think so, no more than raising the price of a Big Mac means  
6 that the burger flipper in the back room gets a price rise.  
7 They are determined by supply and demand, and that point  
8 has already been made.

9  
10 On the question, "If fares are above underlying  
11 economic costs, should they be reduced?", the answer seems  
12 to be clear. The answer seems to be yes. What else are we  
13 doing as a regulator? It is the core task of a regulator.

14  
15 The only other point that needs to be made is that  
16 average fare levels are only one component of the tasks of  
17 the regulator in setting taxi fares. The other issue, of  
18 course, is the price structure and that should not be  
19 neglected. It is not one of the issues on the table today.  
20 I assume IPART will deal with it, but it should not be left  
21 off the table.

22  
23 We have heard about drivers avoiding short fares,  
24 avoiding fares in remote location and things like that. It  
25 seems to me that these things have to be addressed. Taxi  
26 fare regulation is not going to be an easy task. There are  
27 thousands of different origin and destination points, there  
28 are thousands of different times of day, peak, off peak and  
29 so on. We would like a suitable supply of taxis at every  
30 single one of those locations, at every single one of those  
31 times, to go to all those different location. So some  
32 thought needs to be given to the structure of fares as  
33 well. But should the overall level of fares be reduced?  
34 Yes.

35  
36 I'll speak on the "adverse consequences" point. Is it  
37 the case that there will be adverse consequences? Perhaps  
38 there will for people who have made some sort of sunk  
39 investment in reliance upon the value of the taxi licence.  
40 Maybe there are such people out there who have made an  
41 investment in their retirement or whatever. My view is  
42 that those investments do need to be respected up to a  
43 point - up to a point. The way to respect them is to  
44 announce now that their value will be eroded over time and  
45 they should not place any more reliance on them, but not to  
46 take it away overnight either. I'll finish there.

47

1 THE CHAIRMAN: Thank you very much, Darryl. Are there  
2 any comments around the table? Peter?

3  
4 MR RAMSHAW: I wish to pick up on a couple of those points  
5 which relate to question 1 here about raising fares and the  
6 effects on driver earnings. Whether driver earnings go up  
7 or down, whether you adjust fares one way or the other, it  
8 depends on a whole range of factors other than the fare  
9 itself, of course. It depends on how drivers react and it  
10 depends on how passengers react and what else is going on  
11 for their costs and other types of things, so I don't think  
12 there is any simple answer to that.

13  
14 I can guarantee one thing and that is the driver is  
15 the first person who is affected directly in terms of  
16 financially. As I mentioned before, if the issue of what  
17 the economists might call inefficient costs is something to  
18 be addressed, then it should be addressed via a government  
19 policy on regulation of the industry rather than, I would  
20 say, a clumsy mechanism of trying to let the fare feed  
21 through to the guy at the end of the line who happens to be  
22 the bloke owning the licence. The people who will be first  
23 affected, of course, are the drivers; therefore the  
24 passengers will be affected because of the way the drivers  
25 will then respond to a reduction in income, if that is the  
26 direction that fares go. I think you need to be very  
27 mindful of the effect on service levels rather than just be  
28 fixated on costs.

29  
30 The second question talks about revenue being higher  
31 than actual costs. I don't quite understand that because  
32 my understanding is that driver earnings were taken as the  
33 residual at the end of the equation, so I don't know where  
34 the excess arises. If fares are reduced, you will  
35 exacerbate any problems that might already exist in terms  
36 of service provision because you are reducing incentive for  
37 the drivers to respond to fares, so there is already excess  
38 capacity there.

39  
40 Another assumption that seems to be flowing through in  
41 a lot of the comments that are made is that the number of  
42 licences is an active constraint on supply of services  
43 whereas, as we know there are high levels of  
44 under-utilisation in the fleet. I think the impact that  
45 the licences have on service levels is overstated.

46

47 In terms of a step-wise change in fares, I don't think

1 we have enough evidence to indicate whether a step-wise  
2 change up or down will make life better for anyone in  
3 the industry or indeed customers at the end of the day,  
4 because the relationships are very complex. Behaviour is  
5 very difficult to predict and it is certainly not as simple  
6 as some straight lines on a piece of paper might lead you  
7 to think. You need a lot more confidence in knowing that  
8 you understand the mechanics of the industry and incentives  
9 that exist and how they flow through in reality.

10  
11 There is plenty of empirical evidence around the world  
12 of where people have taken steps to try and produce better  
13 outcomes where they have failed miserably. There certainly  
14 are adverse consequences and there is no doubt about that.  
15 We don't have to go very far to see those.

16  
17 The process is not really about increasing earnings.  
18 It is about maintaining service levels and maintaining  
19 earnings by adjusting prices in response to changes in  
20 costs. I really think you have to focus back on what  
21 I would believe the goal here is for IPART. We don't  
22 have enough evidence to support the hypotheses that have  
23 been used to promote some of the other arguments about  
24 what people will do if you do one thing or the other.

25  
26 MR HIRSCH: May I follow, Mr Chairman?

27  
28 THE CHAIRMAN: I will just ask David to go next.

29  
30 MR GODDEN: As an economist, I have absolutely no idea of  
31 what will happen or what is likely to happen if you change  
32 the fares. It is really weird to me that all the work that  
33 IPART has done, good as it is, has been on the supply side  
34 of the industry. I know absolutely nothing about the  
35 demand side of the industry and in particular I don't know  
36 anything about disaggregated demand; that is, demand for  
37 different days of the week, potentially different areas of  
38 Sydney, and as Peter indicated earlier, different times of  
39 the day.

40  
41 It seems to me that unless IPART gets on top of that,  
42 the possibility is that technology will get the game away  
43 from you. If what people are talking about with iPhone  
44 apps occurs, which allow what in other parts of the  
45 internet is called peer-to-peer interaction, in this case,  
46 taxi users negotiating directly with taxi drivers, mutually  
47 agreed fares, then all that you do in terms of regulating

1 fares may simply become a historical artefact because the  
2 technology has got away from you.

3  
4 Unless IPART looks at demand conditions and what is  
5 likely to happen if we change the whole structure of fares,  
6 which is what Peter was talking about, with good  
7 information, at least as good as you got out of the survey,  
8 plus understanding what technology change will do for you,  
9 then I don't think you are in a position to be able to say  
10 what the consequences of different structures of fares is  
11 likely to be.

12  
13 MR HIRSCH: I was hoping to follow after Peter Ramshaw.  
14 I think he possibly feels that I give him a hard time  
15 sometimes, but I fully agree with most of the things that  
16 he said just a moment ago.

17  
18 I am puzzled by this question of reducing taxi fares,  
19 and that is from behind the steering wheel, if you like.  
20 I think a number of about 40 per cent was mentioned by  
21 Peter Abelson at some point.

22  
23 MR ABELSON: Yes, that's right.

24  
25 MR HIRSCH: Where does that reduction come from? As far  
26 as I can see, there is only one flexible so-called cost  
27 which is actually driver earnings - a misnomer, but be that  
28 as it may; we have struggled with that for a long time.  
29 That is the only flexible element and for very obvious  
30 reasons. The lowering of, say, 40 per cent would cause  
31 driver earnings to plummet, not very much else. It  
32 wouldn't cause the pay-ins to plummet because they are  
33 getting very tight, and I will come back to that, and other  
34 matters such as the network fees and plate leases are  
35 outside the control or recommendations of IPART, and indeed  
36 any other bodies except perhaps Transport, but I don't know  
37 about that. It would immediately decimate the taxi  
38 industry as we know it - inevitably.

39  
40 That is not an idle claim, as anyone familiar with the  
41 taxi industry would know and as all taxi industry  
42 stakeholders, drivers, operators, networks, the Taxi  
43 Council and plate owners would universally advise, because  
44 the drivers remaining - a lot have already left the  
45 industry over the past few years - would desert if their  
46 slave earnings dropped, say, 40 per cent. The few remaining  
47 ones would insist on lower pay-ins as is already happening

1 presently.  
2  
3 If our president Anne Turner were here, she would tell  
4 you that in the past week that is exactly what has been  
5 happening to her leased cab. Drivers have said, "No, not  
6 \$1,450 per week, \$1,100 per week, pay-in, total pay-in per  
7 week." Try that for size - a huge margin. These pressures  
8 are already there and it is very difficult for the  
9 operators to bump them down much lower given their fixed  
10 costs.  
11  
12 Even more networks will be forced to renege, as they  
13 are doing at present on lease fees paid to plate owners,  
14 whose plates they manage, and shelve more leases back on  
15 Transport NSW, while perhaps Transport NSW, under its  
16 consultant's guidance, might continue to issue more  
17 unwanted leases, and that would be even more irrelevant.  
18  
19 The economic and social responsibilities of IPART  
20 under its terms of reference, which have already been  
21 mentioned by one of the other speakers, would be similarly  
22 decimated, I think, or made irrelevant.  
23  
24 The point that we have to come back to is not those  
25 matters that are trivial. Let us get back to the elephants  
26 that have now been presented hugely in this room from the  
27 CIE surveys. Those are the matters that IPART must attend  
28 to and must address, and goodness knows how it can.  
29 I don't know. Those are the issues, Mr Chairman. Thank  
30 you.  
31  
32 THE CHAIRMAN: Thank you very much, Ted. Just a short  
33 comment, please, Peter.  
34  
35 MR ABELSON: The 40 per cent which you quoted, the way  
36 I reached that figure, and I am not wanting to defend it as  
37 a precise figure at all, is that I think your base is  
38 currently around \$220,000, on which you set your average  
39 fare. If we look at the CIE figures and take out plate  
40 lease costs, we are looking at a figure around \$120,000,  
41 which is clearly a 40 per cent reduction. I have to admit  
42 there is a puzzle in this because if real costs are only  
43 \$120,000 and the average fare is based on \$220,000, then  
44 plate lease costs will be rather higher than \$30,000, and  
45 I don't know quite how to square that circle, but that was  
46 the origin of the 40 per cent.  
47

1 THE CHAIRMAN: Thanks for clarifying that, Peter.  
2  
3 MR REARDON: There are two things to raise here and one is  
4 the price level. Customers should expect to pay for  
5 efficient costs. It is as simple as that. Secondly, we  
6 are interested in innovation and it should not be lost that  
7 we should strive for innovation, whether that be pricing or  
8 whether it be in new technologies.  
9  
10 There were some comments about taxi booking  
11 applications and new apps that are available on smart  
12 phones and there has been some media coverage on that. It  
13 is probably worth saying that those matters, from our  
14 perspective, are under legal review, but in saying that we  
15 are keen to support the development of innovative  
16 solutions.  
17  
18 The issues revolve around network booking, but, at the  
19 end of the day, taxi booking apps or any other innovation  
20 in terms of technology are upon us regardless, and the  
21 comments made about what that means for fare innovation,  
22 I may not agree with, but in terms of how people and  
23 customers wish to respond to how they see a service, they  
24 will use those new technology and that is something we will  
25 have to grapple with.  
26  
27 MR BRADLEY: I would like to quickly reinforce what my  
28 colleague just said. If you dropped the price of the fares  
29 by 38, 40 per cent, the taxi industry would go belly up  
30 overnight.  
31  
32 If you think this through, if drivers' incomes are  
33 reduced by the government issuing too many plates and  
34 diluting the incomes, the answer then is to reduce the  
35 drivers' incomes even further to compensate. Then, of  
36 course, at the next round, the costs would be lower again  
37 and we would reduce drivers' income further again until we  
38 keep going till we finally get to providing free taxis and  
39 the drivers get nothing at all. Does anyone seriously  
40 think that works? Please let's not be ridiculous, of  
41 course it won't, so let's just chuck that out the window,  
42 please.  
43  
44 Next, if it is true that the main purpose of this  
45 annual review is to reweight the taxi cost index, as IPART  
46 has said, if that is true, then all this effort and the CIE  
47 survey have been wasted. There has to be more to it than

1 just a reweighting of the TCI this year. As I have  
2 already said, we know that increasing driver labour costs  
3 as a proportion of the total costs in the TCI will not mean  
4 that drivers will earn more. I think you can say that it  
5 is clear and IPART is aware that changing index weightings  
6 has no effect on driver incomes.

8 Indeed, in recent years, drivers' incomes have come  
9 down from a few years ago from a measure of about \$12 an  
10 hour to less an \$10 an hour. This has occurred in about  
11 three years and it is a decrease of 17 per cent, all while  
12 this has been going on.

14 What has been happening is that IPART has been  
15 theoretically putting the wages price index into the  
16 drivers' labour costs in the TCI. But what has happened is  
17 that the TCI is one figure. That one figure has then gone  
18 to the IRC. That whole TCI figure is translated into a  
19 contract determination figure and then the pay-in just goes  
20 straight up. So nothing has ever gone to the drivers.

22 I think that illustrates that the model is wrong. The  
23 whole model is wrong. Let me try and explain the answer to  
24 this. At the core, a taxi is not a bus, financially  
25 speaking. A bus owner pays the drivers' wages and other  
26 costs. He collects a fare to cover the cost. So this  
27 method would be compared to a bus cost index.

29 The taxi is a financial entity and it is essentially  
30 two businesses - the operator with his costs of putting the  
31 cab on the road, the first part, and the notional driver,  
32 let's say, who drives the cab and actually provides the  
33 taxi service to the customer. The notional driver, of  
34 course, is 2.5 taxi drivers or three employees to be paid a  
35 reasonable or at least a minimum wage rate. That is why it  
36 does not work. It is just fundamentally the wrong model.

38 What IPART can do is it can easily publish an  
39 operator's cost index taken straight from the TCI because  
40 you already have it or, if you feel you can't actually say  
41 that, at least mark very clearly the operator's component  
42 of the TCI. Write it out very clearly and earmark it for  
43 the IRC contract determination. I believe that can be done  
44 within your current powers.

46 So, for this year, just publish the standard TCI,  
47 identify the operator's costs and then use the operator's

1 costs from one year to the next, which, in other words,  
2 will probably come out something like 2 per cent - I am  
3 guessing, but it is not for me to say that; it is for IPART  
4 to say that- and take out, in each case, for this year and  
5 next year, the two operators cost differentials, take out  
6 the drivers' labour cost factor out of it. It will  
7 probably come in at about something like two-thirds of what  
8 it was or very close to it. So the operators get 2 per  
9 cent, which is their cost of running their operation.

11 Then what we need to do is look at what I'd say is a  
12 target index. A target index is, let me suggest, what we  
13 need to make the total so that the taxi drivers get, let's  
14 say, the minimum wage rate and let's start with \$15.50 an  
15 hour. The target index would be about 27 per cent, but let  
16 me round that down to 25 per cent. So we have a target  
17 index of 25 per cent which includes enough for the drivers  
18 to get a reasonable return.

20 Should we do that this year? I think there is a  
21 reason why perhaps we should not do it. If we were to even  
22 change the fare by 25 per cent in one year, it would have  
23 too much of a shock effect. If we could set the target at,  
24 say, 25 per cent and then we limit the increase to 10 per  
25 cent a year, I believe that the change effect will be  
26 minimal in that case.

28 I believe that 80 to 95 per cent of passengers readily  
29 use credit cards. They have an option to use cash or they  
30 can use cards at 10 per cent more. They use cards in spite  
31 of the 10 per cent. They have the absolute choice of  
32 spending cash. It doesn't bother them to spend 10 per cent  
33 more. What I am saying is that the great majority of  
34 people who actually use taxis are not that price sensitive.  
35 I believe they are actually service sensitive, far more  
36 service sensitive than price sensitive.

38 If we limited it to 10 per cent, there would be the  
39 usual screaming. But with regard to that screaming and  
40 carrying on of people getting upset about the change in  
41 taxi fares, if we look at the previous taxi fares, as has  
42 been pointed out, if we take the CPI out of it and we know  
43 the CPI is basically zero in real terms, the actual taxi  
44 increase is something like less than 1 per cent per annum  
45 above the CPI. It is hardly any more than the CPI. It is  
46 a tiny little bit more. We have had screams every year for  
47 five or six weeks and a small proportion will say, "Oh,



1 I'll never get a taxi again." Six weeks later, they get  
2 over it and start catching taxis again. I don't believe it  
3 is as sensitive as you say.  
4  
5 THE CHAIRMAN: Can we pause for a minute there, Trevor,  
6 and give other people and go. You can come back later,  
7 thank you, Trevor. David?  
8  
9 MR COUSINS: I think those are very good questions that  
10 were raised. The review in Victoria is considering these  
11 questions among many others. The level of price increases,  
12 as we are reminded frequently by the industry, is something  
13 like 30 per cent below New South Wales. A good  
14 illustration of that, and I'll throw this in, because it is  
15 a pricing issue, is a border issue. When I went from the  
16 Wodonga Council to my hotel in Albury, it cost me \$16.  
17 When I went the other way from Albury to Wodonga Council,  
18 it cost me \$28 - so it is quite significant.  
19  
20 I guess there is a lot of anecdotal evidence that the  
21 level of prices in Victoria coupled with the poor service -  
22 they probably go together - is driving people away from the  
23 industry. It is clearly having a depressing effect on  
24 demand. Has it pushed prices to a level where demand is  
25 elastic, so that in fact it is reducing total industry  
26 revenue? We don't know because there aren't too many good  
27 estimates of elasticity of demand around. We are doing  
28 some work on that level. But what is clear is that there  
29 is a fundamental problem with the structure of the  
30 industry, in that whatever the level of share or level of  
31 prices, there is a problem about the sharing of that  
32 revenue and it is clear that historically in Victoria, we  
33 can see that price rises have gone to benefit licence  
34 holders and have been reflected in licence fees rather than  
35 in driver income and others have made that point.  
36  
37 The second question is not up on the screen now, but  
38 I think it had something to do with the level of observed  
39 costs and revenues and what does that mean.  
40  
41 The difference between New South Wales and Victoria  
42 here is that New South Wales has maximum fares in play.  
43 There is some flexibility in Victorian fares, but I suppose  
44 if that were the case I would ask the question: has that  
45 translated into seeing discounting in the marketplace  
46 occur? It may be that there are factors in the taxi  
47 industry which sort of suggest that you won't get much

1 discounting happening, particularly in rank and hail, but  
2 that is something I would certainly look at but certainly  
3 lower fares you would expect would create more demand,  
4 I would have thought.  
5  
6 "Are there any other justifications for resetting the  
7 level of fares, other than to reflect changes in the annual  
8 cost?". Clearly there are. It is absurd to say that we  
9 are going to continue on a path of allowing the fares to  
10 rise in line with costs when our market is collapsing  
11 around us and that seems to be the scenario in Victoria and  
12 it seems to be the scenario here, from what I have seen.  
13  
14 THE CHAIRMAN: Thank you very much. What is the value  
15 of licence plates in Victoria, roughly?  
16  
17 MR COUSINS: In Victoria our plates are even higher than  
18 they are in New South Wales. I think someone - Peter did  
19 you mention 400 and something?  
20  
21 MR ABELSON: It is a bit opaque. \$420,000, I think it is  
22 about. Is that right, Michael? Michael Jools would know.  
23  
24 MR JOOLS: \$420,000 in Sydney.  
25  
26 MR COUSINS: We are at about \$480,000 at the moment. We  
27 had hit \$500,000 before the inquiry.  
28  
29 THE CHAIRMAN: Thank you, David. Michael?  
30  
31 MR JOOLS: Thank you, Mr Chairman. Just to turn the  
32 tables around I have a question to IPART itself: if you in  
33 fact go with the notion of the notional award costs of  
34 labour being \$20-odd an hour, then manifestly costs are  
35 greater than revenue. Does IPART have a solution to that?  
36 If you are faced with the irrefutable evidence that the  
37 costs of operating a taxi when somebody is paying or the  
38 driver is getting his actual award rate as his earnings, in  
39 that scenario where costs are greater by some \$50,000 than  
40 the revenue, what are you proposing to do? I will ask it  
41 just rhetorically.  
42  
43 The obverse of that is if you go for the notion of  
44 retained earnings as the cost of labour, then, as Trevor  
45 pointed out, this is a downward spiral. I point in  
46 particular to the current problem that we have out there on  
47 the road now. I am actually paying \$20 a night more for

1 fuel because fuel has gone up from the 55 cents per litre  
2 mark in September to 75 cents a litre now. I am paying \$20  
3 a night extra. I can't recover that. The market is not so  
4 elastic, the system is not so flexible that we can convert  
5 that into a fare increase. So it comes out of my pocket.  
6 What it means is that my retained earnings - the \$58,000 a  
7 year figure - drops \$20 a night. But the net impact in the  
8 short term is zero. Costs have gone up, retained earnings  
9 have gone down. We are still in balance. There is no  
10 need, apparently, for anybody to do anything about the fact  
11 that the taxi driver out there is now paid over \$1 a trip  
12 extra in his costs. What will IPART do in respect of that?  
13

14 The third point goes to the question of technology and  
15 what else can be done. We have heard of peer-to-peer  
16 activities, the application, the use of GPSes as ways of  
17 increasing productivity in drivers, but fundamentally that  
18 depends on the use of technology and that depends on the  
19 ubiquitous mobile phones. It requires the use of mobile  
20 phones for communication for peer-to-peer networking.  
21 Sometimes it might be an application that takes place on  
22 the internet but particularly for drivers who have regular  
23 customers, it is peer-to-peer contact by mobile phone.  
24

25 That is about to be banned by the Department of  
26 Transport, from what we understand in the newspapers. You  
27 are not, in fact, permitting technology to have a role.  
28 You are removing it from the province of taxi drivers by a  
29 suggestion that a taxi driver cannot use a mobile phone, a  
30 tablet, an iPhone app or any of these things in his car  
31 whilst driving.  
32

33 Suddenly the revenue figures are going to plummet even  
34 further. We will have less contact peer-to-peer. We will  
35 not be able to make use of technology. What is going on in  
36 our industry? And back to the first question: if you  
37 accept the notional costs of a taxi driver being \$20 an  
38 hour, what are you going to do about revenue?  
39

40 MR ABELSON: Is this proposal of mobile phones in taxis,  
41 does that include hand-free operations?  
42

43 MR REARDON: I will refer only to my friend's comments on  
44 two things: on efficiency of costs for services to  
45 customers and on innovation, there has been a range of  
46 media about taxi booking apps and it is under review right  
47 now. The comments about banning or otherwise I won't go

1 into any further at the moment.  
2

3 THE CHAIRMAN: No, that is fine. Thank you very much.  
4 Questions from the audience? Ernie.  
5

6 MR MOLLENHAUER: I would like to put my two cents in.  
7 You asked do you agree that raising fares will not result in  
8 high earnings of drivers. What I would appeal for from  
9 IPART is the support in recovering our customer base. The  
10 travelling public is so brassed off with poor service from  
11 taxis that they have adopted all sorts of alternate  
12 strategies to calling cabs. The short fares that a taxi  
13 booking appear unreliable has led to media pressure for  
14 increased numbers of taxi vehicles when in fact  
15 incentivising the drivers to take those short fares would  
16 have had a far more beneficial effect.  
17

18 Passengers expect, if nothing else, to be picked up  
19 when they ring a cab. Last year, according to your  
20 figures, 31.617 million job offers were rejected by taxi  
21 drivers. Inevitably most of those were judged by driver  
22 concern to be not worth their trouble to go and get.  
23 I wish to compare the very stark differences between a  
24 short and a long fare. At tariff 2, travelling down the M4  
25 at 110km/h a hired driver is grossing over \$200 an hour.  
26 That compares really poorly with the prospect of having a  
27 4km or 5km dead run down to pick up a \$6 fare with a 4km or  
28 5km dead run at the end of it. It is the imbalance in  
29 pricing between short and long fares that has made the taxi  
30 industry appear unreliable to the travelling public. It is  
31 no wonder that they don't rely on us. They feel they can't  
32 and their experiences are rather bitter but by depressing  
33 the price of those short remote fares you actually have  
34 taken away reputation and you have taken away our  
35 clientele.  
36

37 In question 2 you say, "Would lower fares create more demand  
38 for taxi services?" Economics shows a simple demand  
39 and supply curve. Inevitably if it was cheaper they'd sell  
40 more, no question about it. But unless the fare is made  
41 attractive and viable for the drivers, the drivers won't be  
42 there to do the work.  
43

44 In question 3, you ask about reflecting the changes in  
45 annual costs of providing taxi services as an alternative.  
46 That is what I would draw your attention to various  
47 government statements and policies. In the parliamentary

1 inquiry recommendations from 2010 there was a  
2 recommendation there that 50 per cent of the fleet should  
3 be made wheelchair accessible. All of the new taxis  
4 released in the tender process have been non-wheelchair  
5 accessible. Your costing base that seeks to work on an  
6 average cost is based on a non-wheelchair-accessibles cost  
7 structure.  
8  
9 If indeed you wish to support the demands of the  
10 disabled lobby for better service to the wheelchair-bound,  
11 then the pricing structure needs to rise to match the  
12 higher cost of those wheelchair-accessible taxis. I would  
13 draw your particular attention to the so-called lift fee of  
14 \$7.70 per hiring, which hasn't increased in a number of  
15 years. You would be able to make a recommendation that the  
16 lift fee be raised to make drivers more incentivised to  
17 take out wheelchair-accessible taxis.  
18  
19 The biggest problem with operating a  
20 wheelchair-accessible taxi business these days is getting  
21 drivers because of a number of reasons, not the least of  
22 which is the worse fuel economy and certainly the 5pm  
23 restriction on night drivers starting and the like. If the  
24 lift fee was raised, if the radio booking fee was raised,  
25 if the flag fall was raised, those short fares would  
26 enhance the rapport and confidence between passengers and  
27 drivers.  
28  
29 In my submission, I made a note that the longer fares  
30 could possibly be reduced. At risk of alienating my peers  
31 in the industry, I draw your attention to the fact that a  
32 hotel stay in the city overnight on a Friday night is less  
33 than it costs to get a taxi home to Windsor or Campbelltown  
34 or Penrith, and again you have priced us out of that market  
35 by making the long fares too expensive for our intended  
36 clientele. Certainly where drivers, and I think the  
37 travelling public, look to IPART is to re-balance fares  
38 based on the passengers' willingness to pay and not only on  
39 the cost of operating a taxi business. Thank you.  
40  
41 THE CHAIRMAN: Thank you very much, Ernie. Peter and  
42 then Ernie.  
43  
44 MR ABELSON: I would seek clarification from the last  
45 speaker on a point. You talk about re-balancing short  
46 distance fares but you also talk about remote short distance.  
47 There is clearly a difference between somebody coming

1 out of their office in the CBD and wanting to go a couple  
2 of kilometres for \$8 as opposed to somebody having to drive  
3 10km out of town to pick somebody up and then take them  
4 and drive all the way back. Are you making that  
5 distinction between the remote short fare and the other  
6 short fares because I see a big difference there?  
7  
8 MR MOLLENHAUER: There certainly is a difference and the  
9 issue of major concern is the remote short fare. If  
10 someone arrives home late on a Saturday night and wants to  
11 send their babysitter around the corner in a taxi, they  
12 have Buckley's chance of encouraging one to come out and  
13 get them.  
14  
15 Any short fare at the moment is underpriced and, for  
16 that reason, passengers having bad experiences with  
17 attempts to get a taxi for a short fare end up seeking  
18 alternative modes of transport - driving themselves or  
19 catching a bus or something, perhaps a run to the airport -  
20 because of their bad experience with short fare hirings.  
21 For a driver who has been waiting two hours for a fare to  
22 be offered a \$6 fare, it's just not worth his while to pick  
23 it up.  
24  
25 Certainly the short fares as a radio booking are the  
26 worst, but the short fares as a hiring off, say, a taxi rank  
27 are not much better. You have seen drivers almost in tears  
28 at Mascot if they have been sitting for two and a half  
29 hours at the airport for a fare that goes to Surry Hills or  
30 Waterloo. They can't get back in the 20 minute short fare  
31 allowed time, so they are facing about two and a half hours  
32 before they get their next \$18. A few experiences like  
33 that just blew the industry.  
34  
35 THE CHAIRMAN: Yes, Michael. Thank you Ernie and Peter.  
36  
37 MR BURRAGE: If the fares go up, would the drivers get  
38 more money? I suppose under my pay-in structure, they  
39 might but it still depends on how much the taxi can take at  
40 the end of a shift and this is the problem. Everybody is  
41 going around in circles. It is what the taxi can take  
42 rarely meets what the driver gets.  
43  
44 As I said before - and although I gave you whole  
45 figures, I will just give you one day shift - in 2000 my  
46 day shift with GST was \$99. That's what I charge for a  
47 driver to take the cab. It is \$110 now. So that is an \$11

1 rise I get in. Why? Because we were on the decline for  
2 10 years. I could tell you now why we have been on the  
3 decline for 10 years. You probably would be bored if  
4 I told you, but there are various things such as the impact  
5 after the Olympics, deregulation of the hire car industry.  
6 This gentleman here mentioned technology, technology as far  
7 as him getting a taxi. What about the technology in his  
8 office that allows you all to do business by other means  
9 than get in a taxi? That's been one of our declines.

10  
11 I told Mr Watkins, the Minister for Transport  
12 in about 2006, that this was coming. We could see  
13 it coming. We then had other declines like workplace  
14 agreements. We used to take airline crews to work before  
15 6 o'clock. That was a workplace agreement within the  
16 airline - Ansett and others this was in - but they lost  
17 that fringe benefit. I am sure this has happened with your  
18 staff here, for you to cut costs. Staff used to go home at  
19 6.30 by taxi. Businesses are cutting costs. Half of the  
20 legal places around here go home at 8 o'clock. That's been  
21 our decline in the last 10 years and nobody, even our own  
22 people, has acknowledged this.

23  
24 I am not all that sure when IPART came into the  
25 business of doing the fare increases. When would it have  
26 been, in the 2000s somewhere?

27  
28 MR COX: 1999, I think.

29  
30 MR BURRAGE: We were on that decline there. Then  
31 Pricewaterhouse comes in at 2009. We're on that decline.  
32 They come in with their model, which is probably very, very  
33 good, but it is based on quicksand and it is sinking us.  
34 They did not seem to know what our decline was. It is no  
35 good putting models on top of models if there is not a  
36 sound foundation and that is what happened. We have had  
37 the GFC. Not being a businessman, except within the taxi  
38 industry, I don't know quite what effect that has had on  
39 business generally, but it must have had an effect.

40  
41 But now we have 600 extra cabs on the road because of  
42 Pricewaterhouse. We are in a hopeless situation. We have  
43 to stop somewhere. Somebody has to look outside their  
44 square - like the gentleman here with technology as far as  
45 it is helping him - how far has it helped him in not  
46 getting a taxi because he doesn't need one? And that is  
47 it.

1  
2 In other words whether the cake has grown slightly  
3 with population or something like that, it has certainly  
4 declined with the demand for taxis as I have said. Out of  
5 that I have to take a slice. The increased number of  
6 slices makes my slice smaller. I shouldn't have said "my  
7 slice", no, I apologise. The taxi's slice is smaller. We  
8 then have to segregate that up into the driver, fuel costs  
9 and what keeps me happy and that is the situation.  
10 Everybody within the industry - you, Pricewaterhouse, the  
11 Taxi Council, various others - are all looking at your own  
12 square and not looking at it as a whole picture at all,  
13 perhaps because they don't know what that picture is.

14  
15 Just quickly, everybody is talking about short fares  
16 and so forth. Again, down here, 201 Sussex Street, your  
17 nearest taxi rank. Are you familiar with it?

18  
19 MR COX: Yes, we know it.

20  
21 MR BURRAGE: A four-car rank. How long is the queue?  
22 Ten cars parked on a "No Stopping". Why do we do it? Why  
23 do we take the chance of a \$206 fine to service you on a  
24 four-car rank? You come up, an \$8 fare. Okay, I bite my  
25 tongue and take it. I am of the view that as you don't  
26 know what is around the next corner, a bird in the hand is  
27 worth two in the bush, but there are certainly questions to  
28 be answered about when people talk about picking up a taxi,  
29 you hail it, you get it on the rank or you get it through  
30 the dispatch system. These remote ones or short ones, as  
31 my colleagues are saying cabs don't go to, are presumably  
32 dispatch systems, right.

33  
34 When a person chooses a cab, he chooses a number to  
35 call. He has that choice of about five or six numbers to  
36 choose from. When he actually rings for the cab, he is  
37 actually putting himself into that slice of cabs that that  
38 number represents. That network might have difficulty  
39 getting the cab there. That is not a criminal offence.  
40 The criminal offence is if a Sydney cab can't do it; in  
41 other words, when that person rings for a cab and the  
42 network can't cover it. I could be going down the end of  
43 that road and I don't know anything about the job.

44  
45 The criminal aspect of it all is that it is not  
46 dispatched to every single taxi in Sydney and that is the  
47 network's fault. That has never been mentioned before and

1 I think truthfully that is part of the fault of all this  
2 business about not getting the cab, can't get a cab. There  
3 are enough cabs in Sydney to do a service for all of the  
4 people if we operate efficiently and that is the word.  
5 I think you have to look at that. Every night I go to bed  
6 and think - that's what I do - efficiency, efficiency.  
7 That is the problem with the taxi industry.  
8  
9 THE CHAIRMAN: Thank you very much, Michael. Michael  
10 Hatrick.  
11  
12 MR HATRICK: I would like to address the first two  
13 questions simultaneously. The average passenger out there  
14 is not just after a competent driver, a driver who has just  
15 come out of taxi training school - or maybe he has been in  
16 the industry, as I have, for a long time and knows what he  
17 is doing. They want a driver who is sufficiently, in a  
18 health sense, up to the job. They do not want somebody who  
19 has been working 12 hours or, as the culture in the  
20 industry is and has been ever since I have been in it, who  
21 has been doing semis - that means a semi double, that means  
22 18 hours at the wheel - or a double, 24 hours at the wheel.  
23 Doubles are very common over the Christmas period when  
24 the universities are out.  
25  
26 Also during the afternoon/night shift period, you have  
27 many more workers out there driving taxis, working under  
28 the contract determination, drivers who are strictly  
29 bailees as opposed to lessees and owner/drivers. They work  
30 under conditions where largely it used to be the case that  
31 the pay-in ceilings under the method 2 arrangement and the  
32 contract determination were roughly what was actually paid  
33 in. That was up to the time of the global financial  
34 crisis.  
35  
36 When the global financial crisis occurred, largely  
37 because of recommendations coming from IPART, the ceilings  
38 kept on going up, but the pay-ins didn't. There started to  
39 be a brake on the increase of the pay-ins and that has been  
40 going on since the global financial crisis hit.  
41  
42 Since the New South Wales government has released all  
43 these new plates on a lease basis, and the global financial  
44 crisis has receded, that dynamic is still there. The  
45 ceilings still keep going up but the actual pay-ins don't.  
46  
47 What I am saying here is this: it does not really

1 matter whether you put the fares up or the fares down, if  
2 you bring about a situation where more people are using  
3 taxis, the ability for the Taxi Industry Association to go  
4 along to the Industrial Relations Commission and further  
5 put up the price of method 2 pay-ins will still go on. But  
6 there is that slack in between; that is, the slack between  
7 the actual ceiling and the legal ceiling. The Taxi  
8 Industry Association's members can keep on putting up the  
9 pay-in. They have quite a purchase to do that now, because  
10 the ceilings are a lot higher than the actuality.  
11  
12 As far as the third question goes, there used to be a  
13 system know colloquially as the nexus cab system. I am  
14 sure you are all familiar with it. The issue of long fares  
15 and short fares within the WAT cabs, the wheelchair  
16 accessible taxis, was largely catered for by that nexus  
17 plates system.  
18  
19 When they had the parliamentary inquiry two years ago,  
20 top public servants were asked about that system and it was  
21 answered more or less along the lines of, "Well, it's all  
22 too complicated now. We can't sort out the mess." The  
23 Parliamentary inquiry accepted that answer. Nothing more  
24 was said about it. The whole issue was allowed to  
25 stagnate, and it will never get an airing again, I fear.  
26  
27 Finally, I say this, and I said it to the  
28 Parliamentary inquiry: there needs to be a judicial  
29 inquiry, run by the New South Wales Industrial Relations  
30 Commission, into the taxi industry to sort these issues  
31 out. Thank you.  
32  
33 THE CHAIRMAN: Thank you very much, Michael. We need  
34 to wrap up soon. Jim has a question.  
35  
36 MR COX: Thank you, Peter.  
37  
38 One of the very interesting aspects this afternoon is  
39 we have heard a lot of commentary to suggest that demand  
40 for taxi services has fallen. I would like to check  
41 whether that perception is universally held by the taxi  
42 industry participants. Also how might we verify the extent  
43 of any reduction? It probably comes back to trying to get  
44 a good understanding of the revenue side of the industry,  
45 though. Would any of you like to comment on that question?  
46  
47 THE CHAIRMAN: Are there any comments around the question

1 as to whether revenues have fallen?  
2  
3 MR BRADLEY: I think we have been saying for some time  
4 that, in our view, for years the demand has been steadily  
5 falling.  
6  
7 THE CHAIRMAN: Michael?  
8  
9 MR JOOLS: Informed comment we used to get from the  
10 Department of Transport as to the number of bookings, times,  
11 et cetera, used to be available for IPART at the time of  
12 the issues paper. In the last two years, we have no  
13 information from the Department of Transport on aggregated  
14 disaggregated or any other form of demand.  
15  
16 I think demand is falling. PricewaterhouseCoopers  
17 indicates that it is, using the proxy of booked trips. It would  
18 certainly appear from the CIE's figures that it has gone  
19 down from 10,000 a few years ago to 8,000 jobs per taxi  
20 this year. It seems to be incontrovertibly so.  
21  
22 THE CHAIRMAN: Thank you, Michael. Peter, would you  
23 like to comment?  
24  
25 MR RAMSHAW: Yes, I think there is evidence to suggest  
26 that demand has fallen, as it has in most industries since  
27 2008. We are not immune to changes in the level of  
28 economic activity, just like other people.  
29  
30 As was mentioned, certainly the booking statistics  
31 have gone down. The level of competition has, of course,  
32 continued to increase. We face a very competitive  
33 environment.  
34  
35 CONCLUDING REMARKS  
36  
37 THE CHAIRMAN: It only leaves me now to wrap it up. We  
38 have gone nearly an hour over, but that is because it has  
39 been a really good conversation. We appreciate very much  
40 the contribution of all of the members round the table as  
41 well as the members from the audience. It is clear that a  
42 number of you have a wealth of experience in the industry  
43 and we appreciate that very much.  
44  
45 We will have a transcript of the proceedings. It will  
46 be on the website for you and others to access, but also it  
47 will be there for us as we go through the evidence and

1 information and prepare our draft report and put together  
2 our submissions and our decisions.  
3  
4 The draft report will be released in April together  
5 with a final survey report from the CIE. After considering  
6 submissions on the draft report, we will release our final  
7 report and recommendations from June.  
8  
9 As I mentioned, a written transcript of today's  
10 proceedings will be available on the tribunal's website  
11 within the next week.  
12  
13 Thank you once again for coming and thank you all very  
14 much for your contribution, good afternoon.  
15  
16 AT 5PM, THE TRIBUNAL ADJOURNED ACCORDINGLY  
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