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RWK: dn

23 July, 2014

RECEIVED

29 JUL 2014

Professor Ian Harper
Chair
Competition Policy Review
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Professor Harper,

Re: Australian Government Competition Review

We write in response to the submission from the NSW Independent Pricing and Regulatory Tribunal (IPART) to the Commonwealth Government's Competition Policy Review.

In its submission IPART, identifies amongst other matters, that the NSW Taxi Industry and the Taxi Industry more generally, is required to be reformed in a manner that removes any competitive barriers.

We wish to advise that it is considered that the submission by IPART is very narrow in its analysis and appears to be inconsistent with NSW Government policy. It also gives the reader a misperception regarding the NSW Taxi Industry and the competitive environment within which it operates.

Firstly, it is important to highlight that NSW has no statutory limits on the number of taxi businesses, operators or drivers that restricts entry into the market. Specifically as at 1 June, 2014 there are¹:

- Over 150 networks in NSW
- 7 independent networks in Sydney (the most of any capital city in Australia)
- 5,213 operators
- 21,978 drivers

All of these entities are independent business and actively compete with each other on a daily basis.

In addition the NSW Taxi Industry competes with a number of substitutes for passengers, including hire cars, government funded community transport and other forms of public transport.

¹ Source: NSW Roads & Maritime Services – 1 June 2014

The IPART submission makes much of the issue of taxi licences. NSW has 7,135² licences which represents the most taxi per capita of any state in Australia. Furthermore, in all areas of NSW other than Sydney, there is no statutory limit on the number of licences that can be issued to the market. Any person and/or organisation may make application to the relevant NSW Government agency and, upon meeting certain administrative requirements and paying the relevant fee, will be issued a taxi licence.

In the Sydney Metropolitan Transport District (SMTD) the NSW Government determines the number of taxis that are to be issued on an annual basis. In the last five years, the NSW Government has released in excess of 800 taxis, thereby increasing the number of taxi licences in the SMTD by in excess of 15%. This has led to an oversupply of taxis in the SMTD which is having negative social and economic impacts on the NSW Taxi Industry, and at the same time, is having no demonstrable benefit for the travelling public.

It is important to note however that the NSW Taxi Council does not oppose the growth of licences as long as the growth is responding to genuine demand.

The NSW IPART submission also recommends that new services including ridesharing be allowed to operate in NSW. Ridesharing services operates using private drivers and private vehicles with no regulatory oversight and therefore represents a significant risk to the travelling public. The NSW Government has therefore declared ridesharing as illegal and has taken compliance action against person/s participating in this type of passenger transport. The relevant statement is attached for your information.

It is acknowledged that the NSW Government's response to this review also identifies that ridesharing needs to be considered in the context of competition policy, however it rightly identifies that there are significant regulatory and policy challenges that need to be addressed when considering this matter. It is considered that in this context, the need for safety and service accountability must be central in any decision regarding competition policy. It is instructive to note that hitherto, the providers of ridesharing services have not showed a willingness to comply with the established law.

It should also be noted that the NSW Government submission has also reaffirmed the position stated by Transport for NSW in respect of ridesharing ie that it is illegal.

We therefore respectfully ask that you take these matters into consideration as part of your review and specifically when assessing the submission provided by NSW IPART.

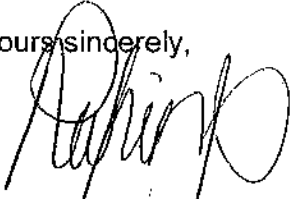
To assist you in this regard, we have attached our most recent submission to IPART which outlines the NSW Taxi Council's position on IPART's approach to the issue of taxi licences in NSW.

² As at 1 June 2014 – Source: NSW Roads & Maritime Services

New South Wales Taxi Council

Please do not hesitate to contact the undersigned should you require further information in relation to this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Roy Wakelin-King', written over the closing 'Yours sincerely,'.

Roy Wakelin-King, AM
Chief Executive Officer



NSW TAXI COUNCIL

SUBMISSION BY THE NSW TAXI COUNCIL

Review of Maximum Taxi Fares and Review of Annual Sydney Taxi Licences from July 2014

This submission is provided in response to the Independent Pricing & Regulatory Tribunal's Draft Report 17 December 2013 in respect of the review of maximum taxi fares and the review of annual Sydney taxi licences from July 2014

7 February 2014

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These reforms are about putting more cabs on the road in a gradual, sustainable way to improve services for customers and the long-term viability of the industry. They are not about taking away the rights of those already in the industry. In fact, a key objective of the reform package is to ensure that the rights and conditions of existing licence holders are put beyond doubt.¹

1.0 EXECUTIVE SUMMARY

The NSW Taxi Council provides this submission in response to the NSW Independent Pricing and Regulatory Pricing Tribunal (IPART) Draft Report on the Review of Taxi Cab Licences and Fares for 2014/2015 (the Draft Report). This submission responds to both the Draft Report for Sydney and Urban Fares and the Draft Report for Country Fares.

The NSW Taxi Council rejects the findings and recommendations of the Draft Report. In doing so, the NSW Taxi Council has not come to this position lightly. It is not the normal approach of the NSW Taxi Council to adopt such a strong position as we generally prefer engagement and constructive discussion, however despite repeated submissions and meetings with IPART, (all at their location), our views have been ignored and IPART continues to pursue its approach without any regard for the consequences.

IPART is using an unsophisticated, narrow process of increasing supply and putting downward pressure on fares to remove value from the NSW Taxi Industry in an ill founded belief that this will create better customer outcomes whilst maintaining the viability and sustainability of the industry. IPART is in effect using a blunt instrument to negatively impact upon the industry which experience in other jurisdictions is demonstrating to be counter-productive to providing quality taxi services to the public.

The NSW Taxi Council is firmly of the view that IPART is deliberately defying the will of the NSW Parliament by using the annual review of taxi licences for Sydney that was introduced with the passing of the *Passenger Transport Amendment (taxi licensing) Bill 2009*, as well as the taxi-cab fare review process, to pursue an economic ideology that does little to serve the public interest, and will result in significantly negative economic and social outcomes for the NSW Taxi Industry.

A proper analysis of the intent behind the introduction of the *Passenger Transport Act (Taxi Licence Reform Bill)*, 2009 highlights that the reforms sought the gradual, sustainable growth which also underpinned the long term viability of the NSW Taxi Industry. At no stage during the passing of this legislation through Parliament did the Government, the then Opposition or the Cross Benches outline that this Bill would be used along with the fare determination process to strip value away from taxi owners, operators and drivers. On the contrary, the NSW Parliament went to some length to ensure that existing industry participants would not be adversely affected by these reforms.

IPART is, in this process, also trying to convey an image of an industry in crisis; one which is inefficient and performing poorly, only inwardly focussed and divided in purpose. In doing so IPART is trying to promote in a form of class warfare within the industry, seeking to pit owner

¹ NSW Parliament. Hansard, *Passenger Transport Act (Taxi Licence Reform) Bill*, October 2009

against operator, operator against driver, and ultimately the public against the industry. It offers no positive alternative, no attempt at considering collegiate reform that is based on quality outcomes, and certainly no real attempt to engage with industry in a dialogue about how the industry can go from strength to strength for the benefit of the public.

Despite the suggestions of the NSW Taxi Council, it appears that the members of the Tribunal have not visited an authorised taxi network, not visited a depot of major operators nor observed the operations of NSW Taxi industry funded secure ranks late at night in places that are often the subject of anti-social behaviour to gain a genuine understanding of the practical realities of the NSW Taxi Industry. Yet in the absence of this first-hand knowledge IPART still continues to make recommendations for the NSW Taxi Industry that have no grounding in business reality.

Furthermore, the NSW Taxi Council believes that IPART, in its relentless pursuit of its economic ideology is engaging in a process of market signalling in an effort to achieve its aims, and in doing so is lessening competition and asking NSW Government agencies to carry out tender processes that are inconsistent with NSW Government policy and guidelines.

That IPART wishes to flood the market with a further 339 licences and freeze fares for yet another year (a significant reduction in real terms), at a time when the impacts of the 2013/2014 licence release process and fare determination are still yet to be fully understood demonstrates how disconnected from reality IPART has become.

In the context of fares, LPG and Compulsory Third Party (CTP) insurance premiums have alone increased by over 20% in the last three months, yet IPART blindly assumes that these cost increases can be absorbed by drivers and operators without any significant impact. In real terms, IPART is recommending that NSW taxi operators and drivers take a pay cut in the order of 10% over a period of three years in order to meet its objectives. This is in stark contrast to the heavily subsidised NSW rail, bus and ferry industries, all of which received fare increases this year to help offset increasing costs.

As experience in other jurisdictions is clearly demonstrating, the blind pursuit of this type of ideology is having real impacts on the livelihoods of taxi business owners and families, and is forcing good operators out of the market. The result is ultimately that good people will leave this industry and standards will decline as a consequence.

Furthermore, in reaching its conclusions, IPART has used subjective information, which is often inconsistent with the NSW Government's own data, and has relied upon selective representations that suit its aims. Most critically, its starting assumption of the cost of licence leases as a percentage of total taxi earnings is inflated and contrary to statistics provided by the Australian Taxation Office and the Australian Bureau of Statistics. In effect, before IPART has commenced undertaking this process, it has started from the wrong position.

The NSW Taxi Council has sought expert advice on the economic impact of the industry from a high standing international firm, Deloitte Access Economics (DAE). This advice clearly sets out the significant contribution the NSW Taxi Industry makes to NSW, and

demonstrates that total earnings of taxis, excluding cash contributions, are far greater than the estimates used by IPART. The information provided by DAE is significant in that it challenges the recent orthodoxy of IPART and puts forward a more balanced view of the economic and social performance of the NSW Taxi Industry.

It should be noted that in this context, the NSW Taxi Council is not opposed to the growth of taxi licenses in Sydney and other parts of the State where this growth is warranted, sustainable and responds to genuine customer demand. As outlined in the debate during the passage of the *Passenger Transport Amendment (taxi licensing) Bill 2009*, the NSW Taxi Council advocated for positive reform of the NSW Taxi Industry and supported the process ultimately adopted by Parliament. The NSW Taxi Council will therefore in this submission also outline the key features of what reforms the NSW Government should be considering to improve taxi services to the public and will help ensure a strong and viable NSW Taxi Industry. Unlike the divisive and potentially damaging proposals of IPART, these reforms will be aimed at building consensus around quality outcomes that benefit the public.

Inclusive of these reform proposal is a recommendation to the return of a growth based model for taxi licences, as was intended by the *Passenger Transport Amendment (taxi licensing) Bill 2009*, and also a return to reviewing fares based on a transparent costs index process. The rejection of both of these models by IPART without any genuine public engagement and discussion is considered to be irresponsible and contrary the public interest.

2.0 INTRODUCTION

The NSW taxi industry is a major contributor to the State's public transport system. It provides approximately 170 million passenger journeys each year and it meets customer travel needs right across NSW. It functions as a door to door transport service that operates 24 hours a day seven days a week. The NSW taxi industry also provides services at times when other forms of public transport either significantly reduce service levels or cease operations altogether. Taxis are often the only form of public transport for some members of the community, and they provide essential transport services to some of the most disadvantaged people in the State.

The NSW taxi industry is also a significant contributor to the State's economy, providing employment opportunities for tens of thousands of drivers and operators, network management staff as well as for other industries which rely on economic activity that the NSW taxi industry generates. The taxi industry contributes to the economic generation of the State by connecting people efficiently and effectively for business, education, tourism and essential lifestyle activities. The highly respected international accounting firm Deloitte Access Economics has undertaken an independent assessment of the economic contribution of the NSW Taxi Industry and has estimated the annual contribution of the industry to the NSW economy to be in the order of \$1.15 billion per annum.

The NSW Taxi Industry is made up of a complex array of providers, ranging from the licence owner (the licence being the principal legal instrument to provide a taxi service), through to operators and drivers. A licence owner may own, operate and drive a taxi, where as some elect only to own and be the operator of the vehicle. Some licence owners have chosen to invest in a licence and then subsequently lease the licence to an operator. Authorised taxi networks are the principal means through which taxi services are coordinated. They provide direct booking services to the public and a range of safety and other services to operators and drivers.

The NSW Government does not, unlike other forms of public transport, procure taxi services from the NSW Taxi Industry. Whilst some financial support is provided to assist disadvantaged members of the community to access taxi services, on the whole the taxi transport system has been created and continues to operate as a consequence of the many people and organisations that have committed capital to invest in the industry. The NSW Taxi Industry also generates revenue for the NSW Government through the sale of licences and stamp duty on third party licence sales. It also generates other revenues through authorisation fees and indirect taxes.

In its response to the IPART Issues Paper on the Review of Taxi Licences and Fares for 2014/2015, the NSW Taxi Council presented its submission with the title 'Enough is Enough'. This message is clearly directed at IPART's use of the NSW Taxi industry as a 'whipping post' to pursue its economic ideals.

It is clear that IPART talks down the NSW Taxi Industry; it doesn't have a positive word to say about the important role it plays, the extraordinary valuable economic contributions it makes, the services the industry provides to the most disadvantaged people in our community, and refuses to acknowledge the corporate social responsibility the NSW Taxi Industry applies every day of the year to the community.

Instead, IPART talks about apparent inefficiencies in the industry, a perceived failure to provide an adequate level of service, an industry that is allegedly dominated by a few wealthy individuals and one that supposedly is devoid of competition. IPART then takes this negative picture that it has painted and prescribes a set of recommendations that are meant to be a 'cure all' of these apparent ills; a prescription which, when proper analysis is carried out, belies the true picture of the NSW Taxi Industry and in reality will harm thousands of people for little or no real consumer benefit.

It is therefore not surprising that the NSW Taxi Industry which:

- provides 170 million passengers journeys each year, including over 500,000 to people with profound disabilities, the aged and frail and school children with special needs;
- generates over \$1 billion in economic benefit each year for the State of NSW;
- provides employment for thousands of people in NSW;
- is made up of thousands of small business owners, operators and drivers, as well as over 100 authorised taxi networks, all of whom compete with each other on a daily basis;
- actively supports the NSW Government and its agencies with transport services to State Significant Events;
- provides invaluable support to important social issues such as dementia and vision impairment;
- receives no subsidies from the State yet generates approximately \$20 million in direct revenue for the NSW Government each year, of which approximately \$2 million goes to the vital secure ranks program.

is saying 'Enough is Enough'. In its response to the IPART Issues Paper, the NSW Taxi Council drew an analogy with the owners of a corner store who have worked hard all their life to build up a business for themselves and their family, only to have IPART state that they have had it too good for too long and that their business should be devalued as a consequence.

This is in effect what IPART is proposing to do to the NSW Taxi Industry and this is why the industry is saying Enough is Enough. It will not sit idly by whilst economic rationalists ruin an industry that does so much more than what IPART would have the community believe. This submission is just the start of a process to see a return to common sense, a return to a

collegiate approach to reform that makes a real difference to the travelling public and a return to saying it is acceptable to allow the private sector make a reasonable return whilst providing a valuable community service at no cost to the State; and ultimately a return to the legitimate purpose of the *Passenger Transport Amendment (taxi licensing) Bill 2009* as passed by the NSW Parliament.

The NSW Taxi Council has not walked away from its desire to have a more constructive dialogue with IPART, but there must be a significant shift away from IPART's current approach for there to be an environment where this dialogue can be effectively held.

3.0 RESPONSE TO IPART RECOMMENDATIONS

The following are the responses to the specific recommendations made by IPART in its Draft Report.

1 An additional 150 unrestricted licences to be offered for tender in 2014/15 to meet increases in demand for taxi services, to improve service to passengers and to make entry into the taxi market more affordable.

For the reasons outlined in this submission, the NSW Taxi Council rejects this recommendation on the basis that it is inconsistent with the objective of the Passenger Transport Act, 1990 and specifically the determination of the NSW Parliament in the passing of the *Passenger Transport Amendment (taxi licensing) Bill 2009*.

The NSW Taxi Council recommends that the Transport for NSW undertake a review of taxi licences required under the existing STGM and determine the number of new licences that is required in accordance with that model.

If TfNSW is unable to undertake this process within the statutory deadline of 31 March 2014, then TfNSW should release a limited number of licences as estimate replacements licences and that these licences should all be PALs.

2 An additional 40 peak availability licences to be offered for tender in 2014/15 to meet increases in demand for taxi services, to improve service to passengers and to make entry into the taxi market more affordable.

The NSW Taxi Council rejects this recommendation as per the above.

3 Maximum taxi fares for Sydney in 2014/15 are the same as those for 2013/14.

The NSW Taxi Council rejects this recommendation. As outlined in this submission cost of owning, operating and driving a taxi have increased significantly over the last two years. As also outlined in this submission, fare increases lag behind costs increases by 12 months, meaning that if IPART's recommendation of a fare freeze for 2013/2014 is accepted taxi operators and drivers will not have received a fare increase to cover rising costs for three years. This in effect means that operators and drivers will be taking a pay cut in the order of at least 10% over this period with no means to recover costs. The consequences of this will be significant and some operators will be forced to exit the industry.

Recent experience in Victoria, which has not had a fare increase since 2008, clearly sets out the negative consequences of this type of ideological approach to taxi regulation. Three large operators, all private business operators who make a contribution to State revenue and provide essential transport services, have been forced out of business.

These outcomes are all the more significant in the context of the NSW Taxi industry being wholly privately funded and not receiving any State subsidies.

4 Maximum taxi fares for Sydney in 2014/15 should be announced before the annual licence tender process commences to provide information to potential tender bidders.

The NSW Taxi Council rejects this recommendation. As outlined in this submission, IPART is seeking for the Government to influence the outcome of the tender process in order to achieve its objectives of placing downward pressure on taxi licences and lease costs.

This is clear in the Draft Report.

5 That 77 additional unrestricted and 54 additional PALs be added to the number of licences to be tendered, to allow for licences we expect to be relinquished and not renewed during 2014.

The NSW Taxi Council in-principle supports the release of a limited number of PAL's as replacement licences. This aligns with the NSW Government's current policy of addressing peak demand issues whilst maintaining a sustainable growth in the NSW Taxi fleet. This is in accordance with the wishes of the NSW Parliament as outlined in this submission.

6 That 7 additional unrestricted and 24 additional PALs be added to the number of licences to be tendered, to replace licences relinquished and not renewed during 2013 over the allowance we made for attrition for the same period.

Refer to the response to Recommendation 5 above.

7 That 13 unrestricted licences be subtracted from the number of licences to be tendered, to allow for WATs issued outside the tender process in 2013 and expected to be issued outside the tender process in 2014.

Refer to the response to recommendation 1 above.

8 Roads and Maritime Services should continue to use the existing tender process, that is, a sealed electronic tender, with pay-as-bid prices for successful tenderers.

This recommendation is supported. The NSW Taxi Council also acknowledges the improvements RMS has made to the licence tendering process.

9 Roads and Maritime Services should publish preliminary results of tenders within 2 weeks of tenders closing.

The NSW Taxi Council does not support this recommendation. This timeline is too short, serves no purpose and provides pricing details in advance of all offers being accepted. It is also inconsistent with the NSW Government public disclosure guidelines which state that contract price disclosures are to be made 60 days after the contract is awarded and that all tender information is to remain confidential.

In the context of the tender for licences, the contract award date is 31 December 2014 when the taxi licence offer must be accepted and the taxi is on the road. This would mean that RMS has an obligation to have pricing details published by no later than 1 March of the following year.

10 Roads and Maritime Services should enhance the tender documentation to include up to date contextual information to help tenderers reach an informed decision about the appropriate value to them of a taxi licence.

The NSW Taxi Council supports the licence tender documentations being as informative and transparent as is possible however we reject the notion of the tender documentation including IPART's objective and purpose of the licence review process.

As clearly set out in this submission, IPART's objectives and recommendations are inconsistent with the will of the NSW Parliament and therefore not accepted policy. If there is to be any information to be any additional information to be added to the tender then it should be the full Hansard transcript of the speeches and subsequent debate that supported the passage of the *Passenger Transport Amendment (taxi licensing) Bill 2009*. This information clearly sets out the policies and objectives of the reforms as passed by the NSW Parliament and not the unilateral economic policies of IPART.

11 Roads and Maritime Services should refund the tender registration fee to unsuccessful bidders.

The NSW Taxi Council does not support this recommendation as it is inconsistent with the intent of the *Passenger Transport Amendment (taxi licensing) Bill 2009*, specifically that:

We do not want an influx of fly-by-nighters who get in hoping to make a quick buck and leave almost immediately, making it harder for existing participants to make a reasonable living and dragging down service quality. Instead, we want gradual, sustainable growth in taxi licences.²

The purpose of securing a deposit as part of the tender process is to ensure that the policy objective of securing commitment to the NSW Taxi industry, as set out by the NSW Parliament is achieved. A deposit for tender documentation is an accepted practice for tendering by the NSW Government and its agencies as it ensures that genuine bids are received from seriously interested parties.

The amount that is required to secure the right to tender as part of the licence tender process is not considered to be onerous, but it plays an important part in ensuring that people who are seriously interested in managing a taxi business enter the industry and does not create "an influx of fly by nighters".

12 We do not recommend removal of the northbound Sydney Harbour crossing return toll at this time.

The NSW Taxi Council notes IPART's position on this recommendation and does not oppose it as it will benefit drivers at a time when they are already under considerable competitive pressure.

It is noteworthy however that in reaching this position IPART has only referenced one submission in its reasoning on this matter, yet a significant number of other submissions objected to IPART's proposed release of licences and IPART saw fit to ignore these.

If IPART wishes to be seen to be credible in relation to its consistency on recommendations, then it should apply equal weight to the issues raised in the submissions received from key stakeholders.

² NSW Parliament. Hansard, *Passenger Transport Act (Taxi Licence Reform) Bill*, October 2009

Whilst the NSW Taxi Council is pleased that taxi drivers will not be negatively affected by this recommendation (if adopted), particularly when IPART's other negative recommendations are considered in this context, an objective analysis of this recommendation has to raise the question as to why an issue that would potentially bring immediate relief to taxi customers, and in line with IPART's logic, stimulate latent demand, has been ignored by IPART. This is in stark contrast to IPART's other recommendations that rely on questionable data and biased analysis, and was opposed by no more submissions from stakeholders who opposed the recommended licence release.

13 Maximum fares for other urban areas should continue to be the same as those in Sydney, with a single urban fare schedule.

The NSW Taxi Council supports this recommendation.

14 Transport for NSW should reform taxi licensing arrangements outside Sydney. Initially Transport for NSW should focus on areas with licence transfer values above \$200,000.

The NSW Taxi Council rejects this recommendation. As outlined in this submission, there is no legitimate policy purpose to support this recommendation. Service levels in rural and regional NSW are being provided at a good level, there is little or no customer complaint that gives rise to their being an issue regarding service delivery, and most importantly, the economic conditions in rural and regional NSW are significantly different to that in Sydney.

Furthermore, the market is responsible for setting the price for taxi licences in rural and regional NSW and under the *Passenger Transport Act, 1990*, there is no statutory limit on how many taxis may be sold into the market.

Again, this recommendation is inconsistent with the intent of the reforms passed by the NSW Parliament under the *Passenger Transport Amendment (taxi licensing) Bill 2009*, particularly given that licence values in rural and regional NSW was never part of that debate.

4.0 RESPONSE TO THE DRAFT REPORT

4.1 Legislative Basis for Reform

IPART, when commencing the process of the review of annual licences for Sydney has previously indicated that the reforms introduced by the NSW Parliament have not fully worked as they intended. Specifically IPART states

However, if the growth in licence numbers simply keeps pace with the growth in demand caused by these factors, lease costs are likely to be maintained in real terms. This would mean that many of the objectives of the amendments would not be met³

The NSW Taxi Council rejects this assertion by IPART and contends that IPART has unilaterally interpreted the intent of the NSW Parliament in the passing of the *Passenger Transport Amendment (taxi licensing) Bill 2009* in an incorrect manner. It is apparent that IPART has done this in order to portray that the Government has not met the aims of the *Passenger Transport Amendment (taxi licensing) Bill 2009* and that the NSW Taxi Industry is not performing in accordance with its statutory requirements.

In understanding the intent of a particular piece of legislation and the purpose that sits behind the written word, one must review the speeches that supported the introduction of the legislation into the NSW Parliament, the record of the ensuing parliamentary debate, the Second Reading Speech and any deliberations by relevant Committees established to review the legislation. It is only through an analysis of these important documents that a proper understanding of whether the intent of a particular piece of legislation has been met or otherwise.

In reviewing these documents it is important to note that when introducing the *Passenger Transport Amendment (taxi licensing) Bill 2009* the then NSW Government stated:

These reforms are about putting more cabs on the road in a gradual, sustainable way to improve services for customers and the long-term viability of the industry. They are not about taking away the rights of those already in the industry. In fact, a key objective of the reform package is to ensure that the rights and conditions of existing licence holders are put beyond doubt.⁴

As can be seen from the above, the issuance of licences by the NSW Government was clearly linked to sustainable growth that responded to passenger demand whilst ensuring that the long term viability of the industry was maintained. In respect of the sustainability of the industry and shielding it from any negative impacts of these reforms, the then NSW Government went further:

The Government does not want a flood of new licences on the market. Experience in other jurisdictions has shown that in the long run this does not benefit anybody. We do not want an

³ IPART, *Draft Report on the Review of Maximum Taxi Fares and Review of Annual Sydney Taxi Licences from July 2014*, dated 17 December 2013

⁴ NSW Parliament. Hansard, *Passenger Transport Act (Taxi Licence Reform) Bill*, October 2009

influx of fly-by-nighters who get in hoping to make a quick buck and leave almost immediately, making it harder for existing participants to make a reasonable living and dragging down service quality. Instead, we want gradual, sustainable growth in taxi licences.⁵

And again:

This bill represents an important step towards better taxi services for passengers and assuring the long-term viability of the taxi industry. It represents a balanced, measured approach to licensing reform that will deliver real, longstanding benefits.⁶

It is therefore clear that the intent of the then NSW Government was to introduce reforms that were aimed at seeing sustainable growth in the industry, whilst ensuring that the reforms did not have a negative impact on existing taxi owners and operators. The language is balanced, emphasising the importance of a measured and sustainable approach to meet passenger demand whilst supporting the viability of the industry. There was no discussion of the intent of these reforms being to reduce the value of taxi licences and negatively impacting upon the revenue of operators and drivers.

Whilst the intent of the NSW Government was clearly laid out in both the Agreement-in-Principle Speech and the Second Reading Speech, it is also instructive as to how the then Opposition and Minor Parties responded to this. Whilst there was in-principle support for the reform, the NSW Parliament clearly felt that the draft legislation did not provide adequate protection to existing industry participants:

The one issue of enormous concern to us is the impact of the bill and its unintended consequences on current long-term licence holders. It remains a concern because we do not feel the Government has adequately addressed it.

However, after consulting with the industry and having received numerous pieces of correspondence from members of the public, taxi drivers, and taxi plate owners stating that the value of their plates, which currently is around \$400,000, will be severely diminished as an unintended consequence of this bill, we remain concerned.⁷

While we support reform and the intent of the bill, we remain concerned that the State Government has not given enough consideration to current licence holders. As late as October the State Government was issuing long-term tradable licences valued at \$400,000, yet it has failed to adequately consult the industry to ensure that safeguards are in place to guarantee a smooth transition and a less severe impact on long-term licence holders.⁸

And again

We must be cautious with the rollout of taxi plates.

It is remarkable that licence lease costs have increased by 8 per cent when water and electricity costs have increased by 40 per cent in the past two years.⁹

⁵ NSW Parliament. Hansard, *Passenger Transport Act (Taxi Licence Reform) Bill*, October 2009

⁶ *Ibid*

⁷ *Ibid*

⁸ *Ibid*

⁹ *Ibid*

As can be seen from the above statements, there was considerable concern in the NSW Parliament that then NSW Government was overreaching with its proposed reforms and that amendments to the draft legislation were necessary. The then opposition moved an amendment to the proposed legislation as follows:

It refers to "a gradual and sustainable fleet growth minimising the impact on current licence holders". This is the one point we are not convinced the Government has adequately addressed and we urge the Government to sit down with the industry to address it. We want to see the issue resolved. That is why we will refer the bill to the upper House committee for a three-week period. That is why we are asking crossbench members to support our proposition. We want reform, but we want to ensure the reform is fair and that people who, as recently as last month, purchased a plate valued at \$400,000 will not see that investment diminished overnight because the State Government should have worked harder in consulting with the industry.¹⁰

The Legislative Council of the NSW Parliament, the House of Review, oversaw specific amendments to the draft Bill. In the ensuing debate it was clear that the NSW Parliament, including the Minor Parties, had accepted that whilst reform was needed, the measures that protected industry participants needed to be strengthened and moreover, welcomed those amendments:

We are concerned that the bill will have a serious impact on many drivers and on long-term taxi licence holders with current plates. We are concerned that the bill in its current form will not achieve the goal of having reliable affordable and accessible taxis. A key concern of the Greens is that the bill will allow an unlimited release of taxi plates. I understand that the Government will move amendments to place a limit on the number of licences that can be released each year. This is a step forward, and I look forward to considering those amendments.¹¹

After this debate, the *Passenger Transport Amendment (taxi licensing) Bill 2009* was eventually passed by NSW Parliament in its amended form on 26 November 2009 and thereby established the clear intent of this legislation.

For the avoidance of doubt, the NSW Parliament at no time during the passing of the *Passenger Transport Amendment (taxi licensing) Bill 2009* stated or sought the following:

- The reduction of taxi licence values by 25% or more, including a process whereby the future of these reduction remains unclear
- Introduce a licence release program coupled with fare reductions to strip value out of the NSW Taxi Industry
- Recommend the introduction of licence release reform in rural and regional NSW

¹⁰ *Ibid*

¹¹ NSW Parliament. Hansard, *Passenger Transport Act (Taxi Licence Reform) Bill*, November 2009

- To artificially put downward pressure on fares and at the same time ignore cost increases for operators and drivers
- For the NSW Taxi industry to absorb impacts of rising fuel and other costs at its expense
- For the licence release process to become a process of negative churn where taxi operators are encouraged to relinquish leases with existing licence owners to lease a "cheaper" one from the State.
- Where NSW Government agencies would be encouraged to engage in a form of market signalling to solicit lower bids from the market.

If the above matters had been raised in the debate, then, based on the views expressed by the then Government, Opposition and Minor Parties, it is considered that the *Passenger Transport Amendment (taxi licensing) Bill 2009* would not have passed the NSW Parliament.

The amended *Passenger Transport Act, 1990* led to Transport for NSW establishing the Sydney Taxi Growth Model (STGM) which resulted in taxi cab licence releases in a sustainable and measured manner that met passenger demand and ensured that the impacts on the industry were not negative. This approach was clearly in line with the intent of the NSW Parliament in the passing of the *Passenger Transport Amendment (taxi licensing) Bill 2009*.

This is one of the principal reasons why the NSW Taxi Council is opposed to the recommendations now being put forward by IPART. IPART's approach to the review of licences and fares has been unilateral and in the view of the NSW Taxi Council, contrary to the will of the NSW Parliament.

In this context, far from putting the interests of existing industry participants beyond doubt, it is creating greater uncertainty and materially affecting the viability of driving, operating and owning a Taxi in NSW. It is further considered that the uncertainty IPART's recommendations create is part of its specific objective to drive down the value of the NSW Taxi Industry.

In this regard IPART states:

*We will not recommend a longer-term path of licence releases and fare changes into the future but instead use the 5-year modelling envelope as a context for annual recommendations.*¹²

So the question that has repeatedly been put to IPART and has not yet been answered, what does IPART intend to happen to taxi licences beyond the five (5) years?

As outlined in previous submissions from the NSW Taxi Council, IPART has failed to make clear where this downward process will stop. As outlined in the graph below, the logic in

¹² | IPART, *Draft Report on the Review of Maximum Taxi Fares and Review of Annual Sydney Taxi Licences from July 2014*, dated 17 December 2013

IPART's 25% reduction is flawed beyond the five years as it gives no indication as to what happens beyond this point.

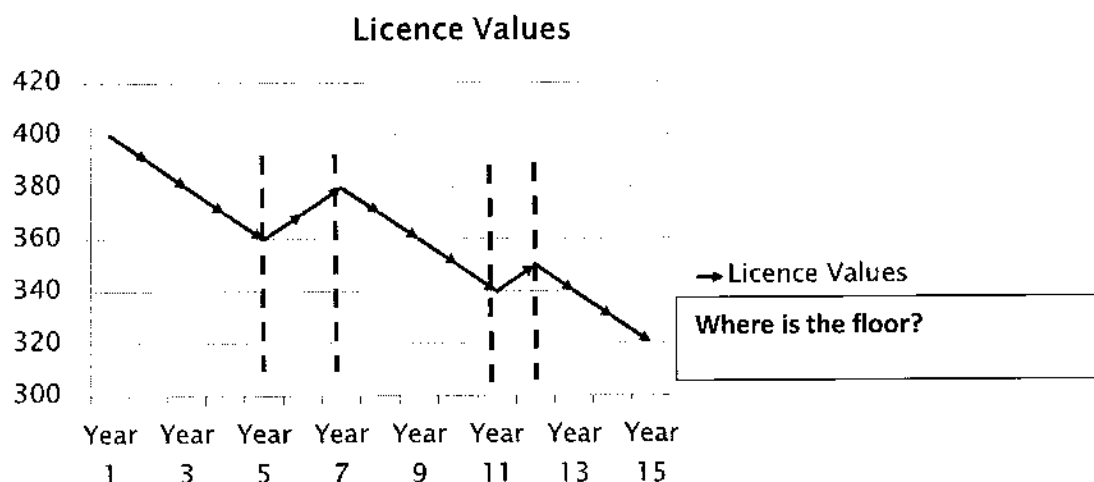


Table 1 – Indicative Licence Value Path if IPART's Recommendations are adopted

Are licences to remain at the IPART reduced value (say \$300,000), what happens if they begin to rise again, is a 25% reduction the next objective beyond that point, is it IPART's objective to completely remove the total value of the licence over the medium term?

The market will not stand still at the five year mark; it will rise or fall accordingly, yet the implication of IPART's approach as set out in its Draft Report is that as soon as there is upward movement in taxi licence values then further downward pressure will be applied until it reaches another arbitrary floor, and so on and so on.

These are some of the key unanswered questions and the unintended consequences that the then NSW Opposition referred to in the debate over the *Passenger Transport Amendment (taxi licensing) Bill 2009*, and why it was amended to ensure that there were proper limits placed on the issuance of licences to ensure that the industry was not negatively impacted.

It is considered however that IPART is promoting this uncertainty as it believes this will encourage tenderers for new licence values to bid low, unsettle existing licence owners who as a consequence will exit the industry and thereby placing further downward pressure on licence values.

Recommendation

The NSW Government ask IPART to review its objectives for the annual review of taxi licences in the Sydney Metropolitan Transport District to ensure that they are in line with the intent of the NSW Parliament regarding the passing of the *Passenger Transport Amendment (taxi licensing) Bill 2009*.

4.2 Market Signalling

The NSW Taxi Council is of the view that, in the relentless pursuit of its objectives, IPART is engaging in a form of market signalling to encourage the market to respond to taxi licence tenders with lower prices.

Market signalling is the disclosure of information (in public or in private) for the purpose of substantially lessening competition in a market. It can apply to pricing, a capacity of a firm to supply or acquire or the commercial strategy of an organisation.¹³

Under the *Competition and Consumer Act, 2010* companies are prohibited from making certain disclosures for the purpose of substantially lessening competition. This general prohibition applies to public or private disclosures of information relating to the

- (i) Price of goods or services (supplied or acquired by the firm)
- (ii) Capacity or likely capacity of the firm to supply or acquire, or
- (iii) Commercial Strategy of the firm

for prescribed goods or services, for the purpose of substantially lessening competition. Whilst the issue of market signalling is currently confined to the financial sector, the implications of what IPART is doing are no less significant in this context.

Specifically IPART is encouraging the market to bid lower prices for licence tenders:

*Combined with tendering more annual Sydney taxi licences, there will be an opportunity for new operators to enter the taxi industry, an opportunity for existing operators to reduce their fixed costs **by bidding a lower price** [our emphasis] than they are currently paying to lease a licence or to hold an annual licence.¹⁴*

As can be seen from the above statement, IPART is encouraging the market to bid low during the tender process. Apart from the market signalling implications, this is also considered inconsistent with NSW Government procurement policy which state:

The NSW Government wants its procurement activities to achieve best value for money in the expenditure of public funds while being fair, ethical and transparent¹⁵.

IPART has not restricted its statements regarding this process to its Draft Report. In its public media statement regarding the release of the Draft Report, IPART states the following:

*Providing from more affordable replacements for annual licences being handed back or not renewed by issuing a further 73 unrestricted licences and 78 PALs. These are not expected to add to the stock of licences in Sydney but allow operators to access a **cheaper licence** [our emphasis] to reduce their costs without disrupting their business.¹⁶*

¹³ ACCC, *Price Signalling*, www.accc.gov.au

¹⁴ IPART, *Draft Report on the Review of Maximum Taxi Fares and Review of Annual Sydney Taxi Licences from July 2014*, dated 17 December 2013

¹⁵ NSW Government Procurement Policy (TPP 04-1), *NSW GOVERNMENT PROCURMENT CODE OF PROCUREMENT PRACTICE*

¹⁶ IPART Media Release, *IPART Draft Recommendations on Sydney Taxi Fares and Licence Numbers*, dated 17 December 2013

Furthermore, there are repeated references throughout the Draft Report to the above outcomes (it devotes a significant part of Chapter 6 of its Draft Report¹⁷ on how operators can engage in a process of churn and get cheaper licences through lower bidding) and it also make recommendations that are intended for RMS to provide information to the market that will place further downward pressure on bid prices.

The NSW Taxi Council considers that the process of market signalling and statements that encourage the market to bid low is inappropriate. It is the view of the Council that the market should not be influenced on how it should bid for taxi licences that are released by way of open tender as this reduces competition and tries to influence an outcome that should ordinarily be determined by market forces.

Recommendations

The NSW Taxi Council therefore recommends that the NSW Government review the statements of IPART and assess whether they are appropriate in the context of any tender process that may be carried out by Transport for NSW for taxi licences in the Sydney Metropolitan Transport District

That any tender documentation provided to tenderers as part of the Annual Licence Release process are open and transparent and do not seek to influence bidders in any way.

4.3 Taxi Revenue Estimates

Central to IPART's approach in the Draft Report is the cost of licence leases relative to the total earning of a taxi. IPART outlines that, based on the a survey of revenue and costs undertaken by the Centre for International Economics (CIE) that an average taxi earns \$152,000, thus making current lease prices 18% of total taxi earnings.

As outlined in the opening of this submission, the NSW Taxi Council has received independent expert advice from Deloitte Access Economics on the economic and social benefit of the NSW Taxi industry to the State of NSW (**Attachment A**). In that detailed analysis, DAE sets out a sound basis for the correct earnings of a taxi as being closer to \$188,000¹⁸. Specifically DAE states:

The estimated revenue using IPART data is considerably below that calculated using the Census, ATO and consultations with authorised taxi networks. In addition, as discussed in the previous chapter, there are two methods that drivers in the Sydney metropolitan area can select to pay operators: Method 1, where drivers and operators split the total takings evenly between them or Method 2, where a fixed pay-in is negotiated. The large majority of drivers in Sydney opt for Method 2, suggesting their income is higher than under Method 1. However if

¹⁷ IPART, *Draft Report on the Review of Maximum Taxi Fares and Review of Annual Sydney Taxi Licences from July 2014*, dated 17 December 2013, p. 47

¹⁸ Deloitte Access Economics, *The Economic and Social Contribution of the NSW Taxi Industry*, 12 December 2013, p.26

the IPART data is correct, drivers could potentially earn more under Method 1, which seems inconsistent with the anecdotal evidence. Given these inconsistencies, revenue based on the Census data, adjusted for an estimate of cash payments, was viewed to be more reliable, and is used for the remainder of the analysis.¹⁹

It is considered that based on this advice, and the advice of the ABS and ATO, that the earnings projections used by IPART are inaccurate and should be discarded for the purposes of this review. Reliance on the CIE survey based estimates alone puts the estimate of lease costs higher than what is in fact the case and therefore this review process as carried out by IPART has, apart from being inconsistent with the intent of the taxi licence reform process, commenced on the wrong basis.

Recommendation

IPART should review its taxi revenue projections with reference to the ATO, ABS and the independent DAE Report.

IPART should review the percentage lease costs are of total taxi earnings to present a more accurate picture of this cost profile.

4.5 Taxi Licence Values and Taxi Licence Lease Costs

IPART has chosen to review the performance of licence values and lease costs over the period 2002 to 2012. The majority of this period is pre the global financial Crisis and also pre the reforms introduced by the *Passenger Transport Amendment (taxi licensing) Bill 2009*.

In order to carry out a more balanced and relevant analysis of the movement of licence values and licence lease costs it is appropriate to review the movement of these over the period 2009 to December 2013. This covers the period post the introduction of the *Passenger Transport Amendment (taxi licensing) Bill 2009* and also reflects the prevailing economic conditions that have been the norm since the GFC.

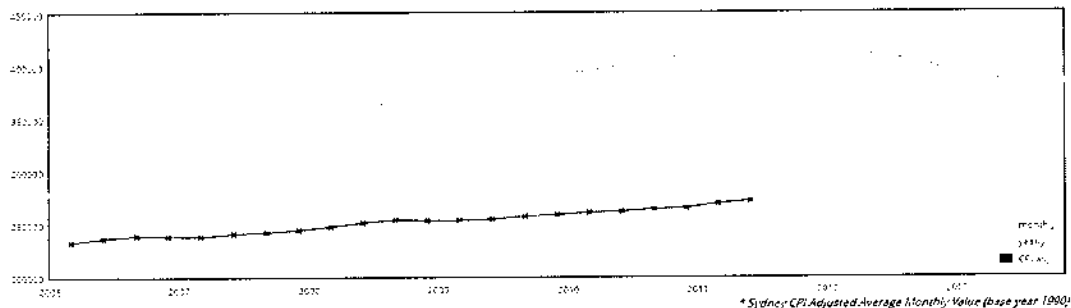
As can be seen from the graph below, taxi licence values have decreased in both real and nominal terms since 2009. Average taxi licences have decreased from a peak of \$427,000 to a current value of \$380,000. This represents a decrease of greater than 10% and reflects the combined impacts of the GST and the release of new taxi licences since that time. Similarly, taxi licence lease costs have trended down in a similar fashion over the same period where these costs are now lower in both real and nominal terms since the introduction of the *Passenger Transport Amendment (taxi licensing) Bill 2009*.

IPART is explicitly seeking to reduce the profit per taxi. They refer to these lease costs as being unproductive economic rent, which is a simplistic and ill-informed view, given the taxi industry participant's private investment into public passenger services.

¹⁹ *Ibid.*

Taxi Licence Average Prices

Average Monthly Transfer Value for Sydney Metro Unrestricted Ordinary taxi Licences, 8 years 2006 - 2013



If IPART's recommendations are adopted, the combined effect of the downward pressure on licence and lease costs since the reforms were introduced would be in excess of 35% in nominal terms which was clearly not the intent of the *Passenger Transport Amendment (taxi licensing) Bill 2009* as passed by the NSW Parliament.

Recommendation

That IPART review its estimates of how much taxi licences and licence lease costs have reduced since the introduction of the *Passenger Transport Amendment (taxi licensing) Bill 2009* and not use the current range of 2002 to 2012 as this is no longer relevant accordingly.

4.6 Network Costs

In its Draft Report, IPART also focuses on the issue of network costs and outlines support for a more deregulated approach by allowing independent booking Apps and 'lowering barriers' for entry for new networks.²⁰ In making this assertion, IPART assumes that authorised taxi networks are operating in an inefficient manner. Specifically IPART states:

There are also likely to be other costs savings available to the taxi industry from efficiency gains. For example the NSW Government is reviewing NSW Passenger Transport Legislation, including the regulatory framework for taxi networks. Changes could increase competition, for example, by clarifying the role of independent Apps. This should drive down the costs for booking services.²¹

This statement highlights IPART's apparent disconnectedness from the reality of running taxi services and also gives rise to a concern that IPART is advocating for a reduction in taxi service delivery standards to in order for its objectives to be met.

²⁰ IPART, Draft Report, *Op Cit*, p. 15

²¹ *Ibid.*

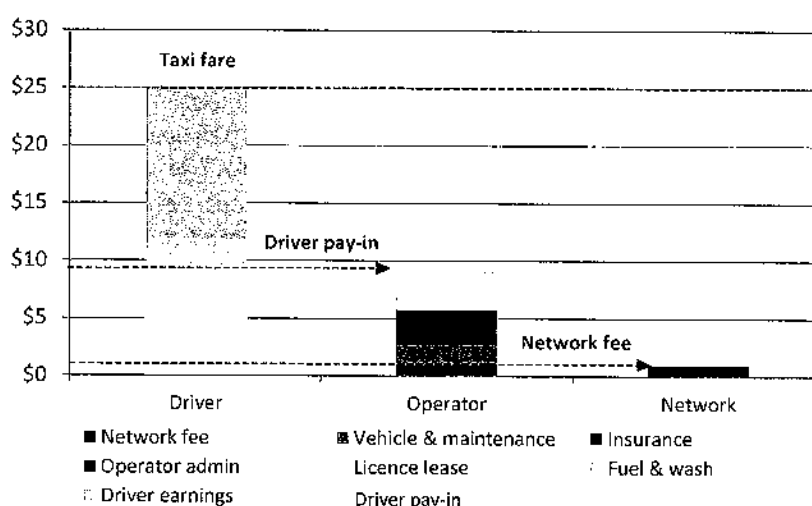
Authorised taxi networks provide services to taxi operators and drivers in accordance with the statutory obligations set by the NSW Government. These obligations include set standards around service delivery, reliability and safety and as such, have a significant compliance cost associated with them.

Authorised taxi networks are already highly efficient. As the NSW Taxi Industry receives no funding from the State, it must meet these compliance costs whilst making a reasonable return for its shareholders (be it company or cooperative) out of its own revenue earned in the market. Given the active competition between networks, authorised networks must operate at a highly efficient level in order to survive in the market. Whilst some networks differentiate themselves based on brand, geography and structure, they all must be efficient in order to compete and survive.

To therefore suggest that independent apps or lower barriers will create greater efficiencies means that the cost structures for authorised networks must change. This would mean that the standards that are set by the NSW Government will need to be lowered to allow networks to compete on a level playing field, and as such standards will immediately fall as networks reduced their compliance burden to adjust to this lower level.

The NSW Taxi Council, whilst strongly supporting a level playing field for competition, does not support the reduction of standards just to meet the aims proposed by IPART. Network standards have been established to protect the public interest and the NSW Taxi Industry strongly believes this must be maintained. As private sector funded entities, the authorised networks are constantly looking for efficiency gains, but as a whole, the NSW Taxi industry does not support the lowering of service standards to achieve this outcome.

Furthermore, in the Economic and Social Impact Assessment Report prepared by DAE, the proportion of the average taxi fare of \$25 going to the network was demonstrated to proportionately very low when compared to the distribution of that fare to other parties. This is demonstrated in the graph below:



22

²² Deloitte Access Economics, *Op Cit*, p. 17

As is clearly demonstrated above, the value to the public that is derived from a marginal contribution of the fare to network costs represents very good value for money.

4.7 Taxi Supply

As outlined in the NSW Taxi Council's response to the IPART Issues Paper, there is clearly an oversupply of taxis in Sydney. The NSW Taxi Council provided IPART with a significant number of photographs depicting the current situation around Sydney and Sydney airport regarding the supply of taxis. A lot of these photos were taken at peak times, yet it was clear that there were a significant number of taxis available for hire (example below).



Circular Quay Midnight Friday 4 October 2013

As also previously highlighted to IPART, the average percentage of the fleet on the road is approximately 70%. This ranges from a high of around 90% during peak times to as low as 40% in the off-peak. It is clear that the fleet is underutilised and further issuances of licences are only ongoing to exacerbate this problem by reducing productivity.

Furthermore the NSW Taxi Council believes that IPART needs to update its figures on the net increase in taxi licences over the past five (5) years. As at 1 December 2013, there were 5,806²³ taxi licences in Sydney. This represents an increase of 575 licences since 1 January 2010²⁴ and is materially different to the 508 suggested by IPART in its Draft Report. It is also important to note that approximately a further 66 licences arising from the licence determination process for 2013/2014 were yet to be put on the road at the time of this report and therefore these figures are understated.²⁵

This increase in licences represents growth in the Sydney Taxi Fleet of at least 11%, all of which has occurred in the post GFC period and therefore a time where competition has been increasing whilst taxi demand has been softening. This point was repeatedly

²³ Transport for NSW, *Taxi Statistics November 2013*,

²⁴ IPART Issues Paper, *Review of Maximum Taxi Fares and Review of Annual Sydney Taxi Licences from July 2014*, dated 15 October 2013, p.14

²⁵ Meeting NSW Taxi Council, RMS dated 21 November 2013

made by many stakeholders at the IPART Public Forum²⁶ and in submissions to IPART in response to its Issues Paper, yet IPART has ignored these issues in favour of the pursuit of its objectives.

Furthermore, as highlighted by the NSW Taxi Council in previous submissions to IPART, there has been an increase in substitutes as well as initiatives by the NSW Government that will potentially soften demand for taxi services. In its response to the IPART Issues Paper on this review, the NSW Taxi Council identified the NSW Parliament's review of the Station Access Fee at Sydney Airport which will contribute to a softening of demand if implemented.²⁷

Since this time, the NSW Government has announced more bus and train services being introduced across the network and more recently, announced the introduction of free buses in the Sydney CBD as part of its crack down on alcohol related violence. The NSW Taxi Council strongly supports these measures, particularly the crack-down on drug and alcohol related violence, however it does need to be recognised that these initiatives will impact on taxi demand and therefore this should be taken into consideration prior to any further licences being issued.

4.8 NSW Taxi industry Performance

IPART contends that the performance of the NSW Taxi industry is not improving and in some cases is getting worse. It has reached this view on the basis of the findings of the subjective survey conducted by Tavenor Research. It also cites the TfNSW Customer Satisfaction Index as evidence that NSW Taxis are too expensive and therefore inefficient. This is the same survey that rated the NSW Taxi Industry's performance as high with satisfaction in the vast majority of performance indicators achieving a higher than 80% satisfaction, with some such as vehicle standards and safety in the 90% rating.

A closer analysis of these surveys reveals that the NSW Taxi Industry in fact provides a very good service that is consistent with its statutory obligations, particularly relative to other modes of transport and even some emergency services. It is important to note that it is doing so with no subsidies from the NSW Government.

IPART has also ignored the findings of the NSW Government's survey of over 1,100 WAT users which found that the overwhelming majority of users were satisfied to very satisfied with the service provided by the NSW Taxi Industry and that this service had improved over the last 5 years.²⁸

As outlined above, it is apparent that these positive outcomes for the NSW Taxi Industry are inconvenient for IPART as they do not align with IPART's objectives of talking down the

²⁶ IPART, *Public Hearing on the Review of Maximum Fares for Taxis and the Release of Annual Sydney Taxi Licences*, Transcript, 22 October 2013

²⁷ NSW Taxi Council, *Submission to IPART Issues Paper on Taxi Licences and Fares for 2014*, dated November 2013

²⁸ Transport for NSW, *Wheelchair Accessible Taxi User Survey*, August 2013

industry to have the community believe it needs to be fixed in accordance with its recommendations.

The other aspect of IPART's over reliance on survey data is that it is difficult to verify the exact nature of the performance because due to the very nature of surveys, the findings are subjective. Respondents do not stand on the corner of streets with stop watches undertaking empirical research on taxi performance for street hails and for taxi rank waiting times. They provide estimates based on their best guess of issues such as waiting time.

In its Draft Report IPART has criticised the NSW Taxi Council for raising concerns regarding the use of survey data in support of its proposed policy positions. In making this criticism IPART has referred to the survey data TfNSW has collected in its Customer Satisfaction Index.²⁹

The concerns raised by the NSW Taxi Council need to be put in context and not misrepresented by IPART. The NSW Taxi Council obviously realises the benefit of understanding customer needs and attitudes, as an industry we carry out a range of customer survey and marketing activities for this purpose.

The issue raised by the NSW Taxi Council is how this information is used, and to what extent the industry is held accountable. As outlined in the NSW Taxi Council's submission to the Issues Paper, the industry is currently not held accountable for performance at taxi ranks and for street hails. There are significant externalities such as congestion, passenger behaviour and adequate kerb space that influence this performance.

The NSW Taxi Council believes that it is unreasonable to determine taxi supply policy just based on survey data which is highly subjective, and without taking into account other key factors. It is also unreasonable not to consider taxi driver behaviour in this process, including rejections, fare refusals and touting. These factors also influence service performance and are clearly not a function of supply.

To gain a proper picture of performance, then independently audited data must be the principal base upon which performance is assessed. This should also be supported by data that is developed through empirical research that takes into account other factors eg, congestion.

In this regard, the data provided by the NSW Taxi Industry is independently verifiable that is subject to audit and, importantly in this context, financial sanctions apply if misleading information is provided. As required under the *Passenger Transport Act, 1990*, authorised taxi networks must submit monthly performance data which is then published to improve transparency and accountability.

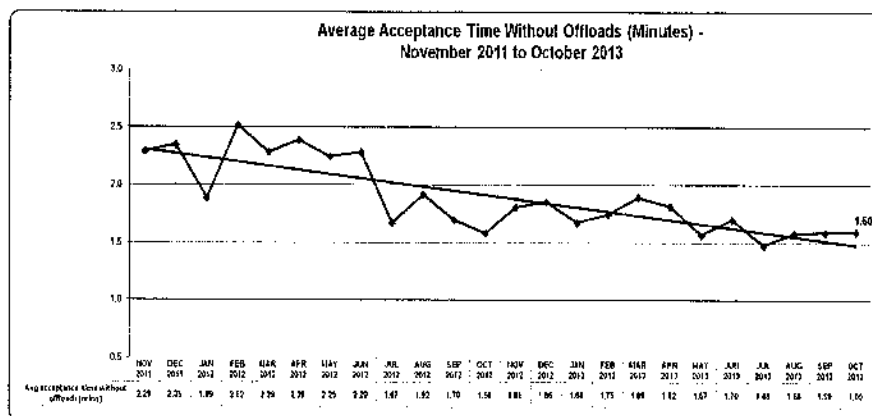
To this end the NSW Taxi Industry has been providing taxi services as outlined below:

²⁹ IPART, Draft Report, dated 17 December 2013, pp. 33-34

4.8.1 Average Acceptance Times

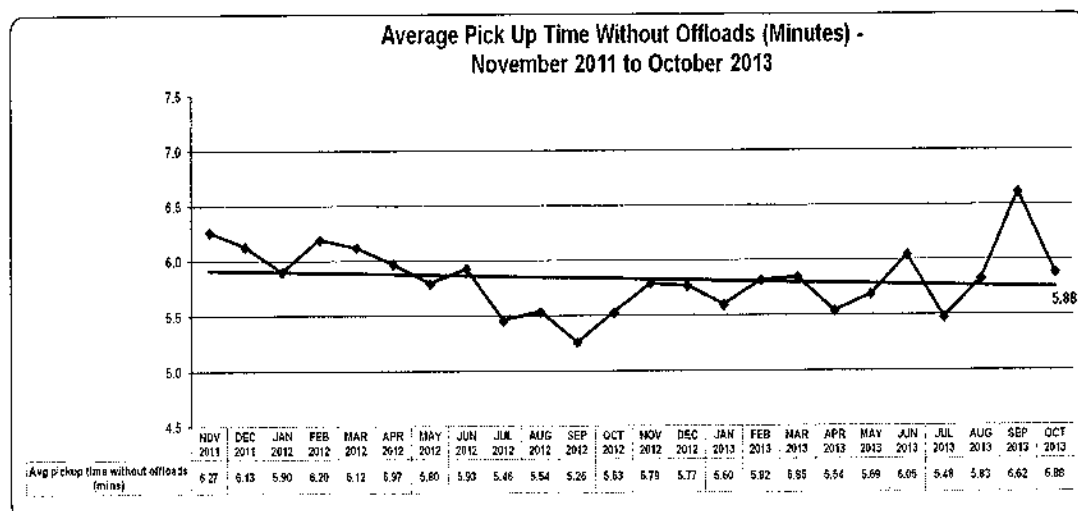
Average acceptance time is the time taken from the receipt of the booking to the time that a taxi driver accepts that booking and proceeds to the hiring. It is an important measure of performance and takes into consideration the time taken for drivers to accept a radio job, all other things being considered.

As can be seen from the graph below, Average Acceptance Time has been decreasing significantly in relative terms thereby improving customer service. In statistical terms, Average Acceptance time has improved by 30% over the past two years and based on current trends should continue to improve.



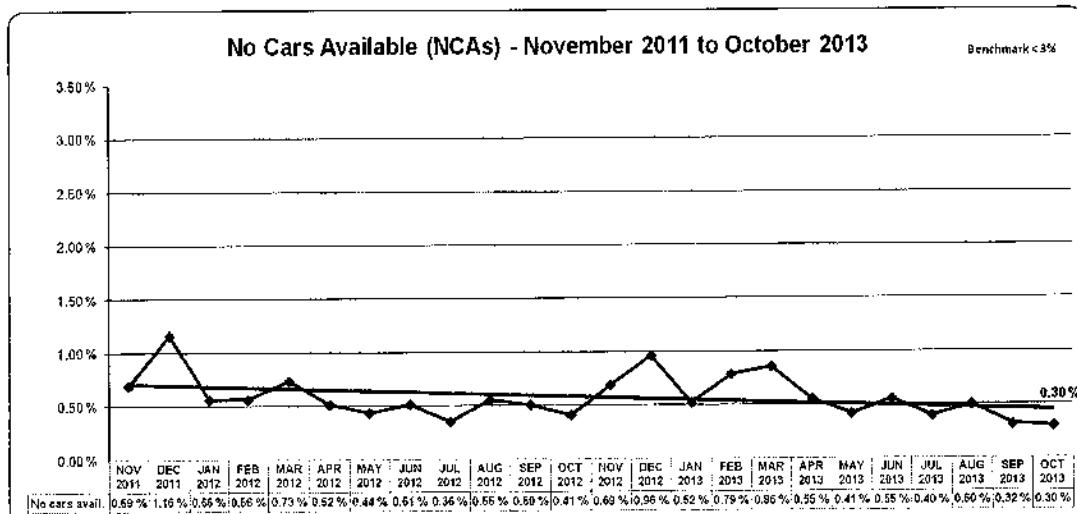
4.8.2 Average Pick Up Times

Average pick up times is the total time taken from the receipt of the booking to time of arrival of the taxi at the passenger's point of pick up. As can be seen in the graph below, average pick up times have been steadily improving over the last two years, and importantly are significantly better than the minimum statutory requirements set by the NSW Government.



4.8.3 No Car Available

Another key measure of performance that is subject to Authorised Network Standards is car availability ie No Car Available (NCA). The required benchmark is NCA's are not to exceed 3% of total bookings. As outlined in the graph below, the NSW Taxi industry is performing well ahead of the required benchmark with performance over the last two years being below 1% and more recently below 0.5%.



4.8.4 Complaints

In reviewing the performance of the NSW Taxi Industry, an analysis of complaint data must also be undertaken. In NSW, the Government has established an independent feedback management system which captures all feedback and therefore is a reliable indicator of performance from a qualitative perspective.

For 2012, the total number of complaints was 12,154, which relative to the total number of passenger journey's is extraordinarily low. Even making an allowance for under reporting, the total number of complaints relative to trips provided are significantly less than 1 percent.

It is therefore very instructive to review the performance for 2013, where the total number of complaints was only 9,133. This represents a reduction in the order of 25% from the 2012 and is indicative of an industry that is improving, not going backwards. A more detailed analysis of the complaint data is further revealing as to the issues that are most important to the customer. Of the total number of complaints, the greatest proportion relate to overcharging, then dangerous driving. The issue of taxi availability represents less than 4% of all complaints.

In rural and regional NSW, the analysis of customer feedback is even more revealing. Over the past three years, complaints regarding country taxis have been less than 150 each year. Of these complaints, very few, if any, relate to the availability of taxis. In the context of the millions of passenger journeys rural and regional taxis make each year, this number of complaints is negligible.

4.8.5 Public Transport and Emergency Service Response Times

When analysing the performance of the NSW Taxi Industry, is it instructive to review its performance relative to other public transport and essential services. The NSW Bus industry, which provides an estimated 220 million passenger journeys per year, provides services at approximately 94% on-time-running (OTR). Noting that OTR measurements have tolerances of approximately five minutes either side of the scheduled arrival time, it is considered that its performance is comparable to that of the NSW Taxi industry. It should be noted however that the NSW Bus industry receives approximately \$1.2 billion each year to provide these services³⁰.

The NSW Rail network has similar OTR performance to that of NSW buses, yet its annual subsidies are in excess of \$2 billion each year.

It is also relevant in this context to look at the performance of the NSW Emergency Services which have to deal with issues such as traffic congestion and other key externalities to provide its service. Based on the Annual Report of each of the three (3) emergency services, the following response times were recorded:

- NSW Ambulance – 50% of life threatening cases were answered in 11.13 minutes (this is the median)
- NSW Police – 78% of urgent duty jobs arrived within 12 minutes
- NSW Fire – 90% of incidents responded to in 11.55 minutes

³⁰ Transport for NSW, *Annual Report*, 31 October 2013, Financial Statements

As can be seen from the above performance statistics, the NSW Taxi Industry's average pick up times for all jobs, and not just urgent jobs, (including average acceptance times) is currently at 7.5 minutes, which is at least 30% better than the respective emergency services.

This comparison is not intended to criticise the other forms of public transport or the emergency services. The NSW Taxi Council is fully aware of the challenges providing efficient response times, often in demanding circumstances. The purpose of these comparisons is to provide some context on the performance of the NSW Taxi industry and to illustrate that the performance is not as dire as IPART is seeking to portray. This is all the more important when the subsidies provided to other public transport services are considered. As previously outlined, the NSW Taxi Industry receives no funding from the State and is required to comply with mandated response (which it clearly complies with) at its own cost.

It is therefore all the more noteworthy that IPART has recently made recommendations for fare increases for State funded public transport³¹, using costs based models to determine these increases, and yet is actively pursuing an agenda of reducing the value of the NSW Taxi industry and forcing down the revenue of taxi owners, operators and drivers. The inequity in this approach is obvious and one that is unacceptable.

4.9 Performance Summary

On deeper analysis, it is abundantly clear that the NSW Taxi Industry is performing well and that supply and service quality are not significant issues. Pick up times are improving, complaints are dropping and importantly, as shown by all performance statistics, the NSW Taxi Industry is more than meeting its mandated performance obligations.

In rural and regional NSW, performance is simply not an issue. In fact, the critical issues affecting a lot of rural and regional areas is that there is an oversupply of taxis and many licences are on hold as a consequence.³²

This is not the performance that IPART is trying to portray. It repeatedly talks down the NSW Taxi Industry in relation to its performance and in doing so insults the many thousands of people who work tirelessly to provide the services that it does day in, day out. The NSW Taxi industry knows that it's not perfect; no public transport system is, but it is far better than picture that is incorrectly portrayed by IPART in the relentless pursuit of its economic rationalist ideals.

4.10 Abandonment of the Taxi Cost Index (TCI) Model

³¹ IPART in its 2013 Final Reports for Private Ferries and NSW Bus Services recommended fare increases in excess of 2.5%, of which the NSW Government determined that fares should increase in line with CPI.

³² RMS has advised that as at 31 January 2014, there are 48 taxi licences on hold in rural and regional NSW.

As outlined in its response to the Issues Paper, the NSW Taxi Council strongly opposes the abandonment of the TCI.

The TCI is an industry based cost index that has been used by IPART since 2002 to make annual recommendations to the NSW Government on the movement of taxi fares. The TCI measures, in percentage terms, the overall cost of providing taxi services in NSW.

As outlined in numerous previous submissions to IPART by the NSW Taxi Council, the TCI is well regarded and provides for a transparent and rigorous process for examining the movements in costs and therefore the flow on effects to taxi fares. It has been subject to a number of reviews and the process has been simplified and inputs and associated weightings assessed for relativity and accuracy.

In place of the TCI, IPART has introduced a new model that has been developed by the Centre for International Economics (CIE). The CIE model, as a long run equilibrium model, seeks to predict the future without any recognition or acknowledgement of the transitional impacts on the industry as it moves towards IPART's desired equilibrium. Transitional impacts are simply assumed away by IPART with sweeping statements as to how drivers and operators will apparently 'ultimately' be better off as a consequence of the proposed changes. This is cold comfort for those operators and drivers who have to bear the brunt of reduced revenues and increased costs during this time.

It is worth noting that in the review of fares for other transport modes where private sector investment is critical to the functioning of those transport services, IPART has continued to use industry cost based models³³. These services also have restricted entry arrangements in place through controlled contracts from the NSW Government and they are subsidised by the NSW tax payer.

The NSW Taxi Council therefore again presses IPART to return to the TCI model and increase taxi fares for both the Urban and Country taxis in accordance with the outputs of that model.

4.11 Efficiency of Fares

The NSW Taxi Council rejects the assertion by IPART that taxi fares are inefficient. Taxi fares reflect the costs that are incurred by operators and drivers in providing services to the public within the current regulatory framework.

The NSW Taxi Industry needs to remain viable into the future and, in the absence of funding from the NSW Government this can only be achieved through the farebox. The NSW Taxi Industry is acutely aware that the industry must remain competitive and not price itself out of

³³ For the 2012 review of fares for private ferries, a cost index model applies. For the review of metropolitan and outer-metropolitan bus service fare reviews for 2013 a cost based model also applies. Both these forms of public transport receive funding from the NSW Government through service contracts, however the NSW Taxi Industry is fully funded by the private sector without any government subsidies

the market. The industry cannot however operate services at a loss and the recommendations being put forward by IPART will place the industry in this situation.

The notion that the TCI is not appropriate as a means of adjusting fares due to the TCI containing an element of inefficient economic rent is also rejected. Services provided by other public transport modes have a range of fixed costs including rent of premises, depot space, and other forms of infrastructure. By way of example, the proposed method for the NSW Bus Industry includes a notional Regulatory Asset Base valued at \$610 million as part of the cost model used to determine bus fares in the metropolitan area³⁴.

As outlined above, these industries fares are still adjusted using cost based models, yet IPART has seen fit to single out the taxi industry in this regard.

The nature of the regulatory framework for the NSW Taxi Industry is such that licence lease rates exist as part of the cost of providing taxi services. It is important to note however that movements in these lease costs have been removed from the fare adjustment process and that the NSW Taxi Industry now absorbs these costs rather than them being passed onto the consumer. This action alone has contributed to putting downward pressure on fares and therefore meeting the intent of the *Passenger Transport Amendment (taxi licensing) Bill 2009* and the Terms of Reference issued to IPART for this and previous reviews of taxi fares undertaken since the *Passenger Transport Amendment (taxi licensing) Bill 2009* was passed by the NSW Parliament.

IPART is therefore attempting to manipulate this environment by arbitrarily reducing fares (in real terms) and increasing taxi supply, irrespective of the demand for taxi services, prevailing economic conditions and movement of costs incurred in the provision of taxi services. This will have a negative impact by lowering the value of owning a taxi business, as it would do for any industry that is funded solely by the private sector, and the returns that could be reasonably expected to be made in this industry.

The notion that the downward pressure on fares by freezing them over the medium term will stimulate significant demand to offset the negative impacts of reduced revenue for taxi operators and drivers is not accepted. Experience in Victoria has clearly demonstrated the folly of this approach.

Taxi occupancy rates in Victoria, (which have had fares frozen since 2008), has fallen from 33% in 2005³⁵, 30% in 2008³⁶, down to 28% today³⁷.

This drop in occupancy rates was outlined in the Victorian Taxi Industry Inquiry's Final Report, which stated:

³⁴ IPART Issues Paper – *Review of Fares for Metropolitan and Outer Metropolitan Bus Services from January 2014*, p. 20.

³⁵ Victorian Essential Services Commission, *Draft Report*, 2005

³⁶ Victorian Essential Services Commission, *Taxi Fare Review Final Report – 2007/2008*, dated August 2008, p.110

³⁷ Victorian Taxi Industry Inquiry, *Final Report – Customers First*, September 2012

With the overall number of taxi trips remaining static, occupancy rates of taxi vehicles remaining low and taxi businesses facing increasing cost pressures, the effects of this poor performance continue to be felt by many in the industry, especially taxi operators and drivers.³⁸

And again:

Licence holders considered there were sufficient taxis in Melbourne, noted the 28 per cent occupancy rate and suggested demand for taxis had fallen in recent years.³⁹

This decline in occupancy rate, which is a direct reflection of the demand for taxis, is also supported by the trip data provided to the Australian Taxi Industry Association annually which has remained constant at approximately 35 million for the past five (5) years⁴⁰. This decline occupancy rate has occurred concurrent to an increase in the fleet of approximately 10% over the same period.

It is therefore clear through this example that the combined effects of downward pressure on fares and increased supply of taxis does not stimulate latent demand or improve the efficiency of fares or the taxi fleet overall. As outlined in this submission, what this process has done is resulted in taxi drivers and operators suffering reduced incomes and either exiting the industry or being forced out due to economic and financial difficulties.

It is therefore readily apparent that the consequences of this proposed manipulation of fares and taxi licence supply by IPART are that the industry will suffer economic and social decline and ultimately customer standards will fall as a consequence.

4.12 Costs to Drivers and Operators

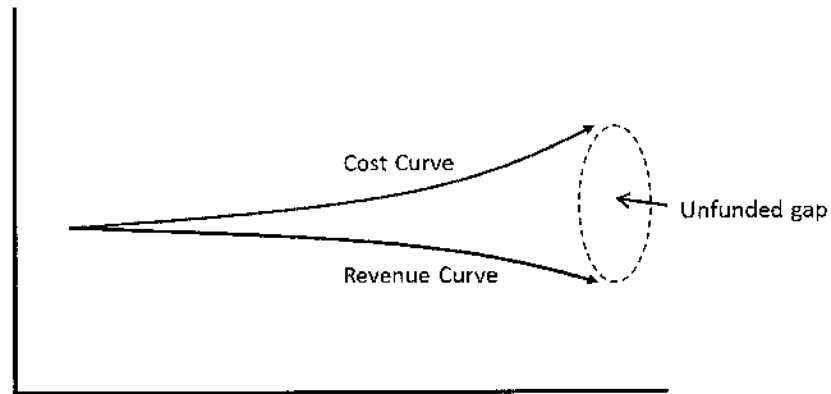
As outlined in its response to the IPART Taxi Fare Review of 2013, the consequence of the proposed reduction in taxi fares (in real terms) and the concurrent increase in costs means that all levels of the industry, particularly taxis drivers and operators are facing a growing revenue/cost gap.

This is illustrated below:

³⁸ *Ibid*, p.7

³⁹ *Ibid*, p. 59

⁴⁰ Australian Taxi Industry Association, *Taxi Statistics*, downloaded from www.atia.com.au



As can be seen from the above graph, should the process recommended by IPART be implemented by Government, there will be an increasing unfunded gap between the revenue received by taxis drivers and operators and the costs of providing taxi services. For all other public transport services this gap is met by the Government through subsidies ultimately funded by the tax payer, however as the State provides no funding for the taxi industry, this will need to be met by the private sector. This impact will immediately be felt by operators and drivers who will experience reduced revenue through lower fares (in real terms). There will not, as suggested by IPART, be a corresponding increase in demand and therefore this revenue/cost gap will continue to widen.

IPART contends that this revenue/cost gap will ultimately be funded by licence owners through the reduction of 'economic rent' from the licence owner, which will pass through to the operator and driver, and ultimately to the passenger by way of cheaper fares. What IPART has failed to acknowledge is that this funding gap will be greater than the industry can afford (approximately 3.5% based on the cost increases for the taxi industry estimated by IPART for 2012/2013 alone, and given the retrospective nature of cost rises relative to fare increases will become more significant in the next 12 to 18 months) which will have significant economic and social impacts on industry participants, particularly operators and drivers. These impacts will ultimately force good operators and drivers out of the industry, and will also materially impact upon licence holders.

This will in turn have negative consequences for taxi passengers, as operators will not be able to maintain vehicles to high standards and drivers will exit the industry thereby further contributing to a supply shortage in this area. Operators will be forced into efficiency measures to reduce costs which will place downward pressure on maintenance, repairs and other cost items. Operators will be forced to 'sweat their assets' which will lead to reduced standards overall.

This has been the experience in other jurisdictions where there has been downward pressure on fares and upward pressure on costs, leading to a funding gap as outlined in the graph above. In Victoria, which has not experienced a fare increase for over five years (consistent with IPART's recommendations for NSW), three major operators have gone into liquidation over the past two years and their businesses been forced to close. This has had a disruptive effect on the Victorian Taxi Industry. This five year fare freeze in Victoria has

not led to the improvements IPART suggesting, including any significant stimulation of latent demand.

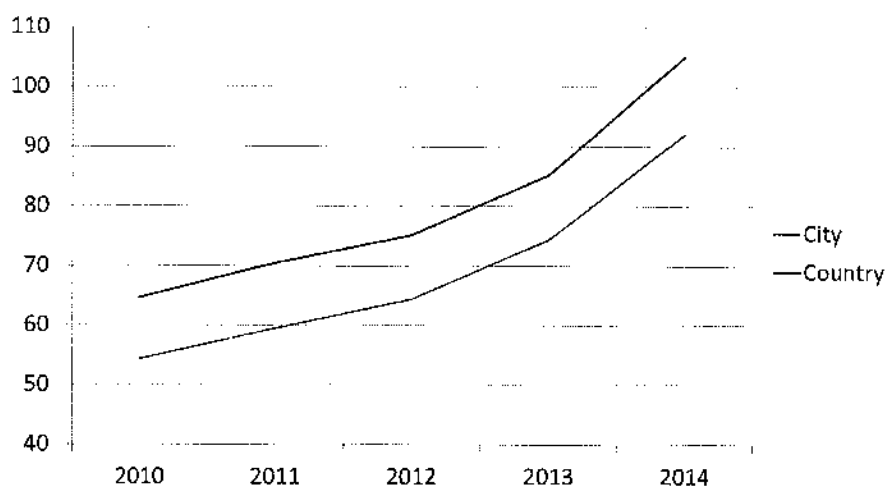
These impacts will be exacerbated as a consequence of the surge in prices of both LPG and insurance which are outlined below:

4.12.1 Liquid Petroleum Gas (LPG)

In the last three months, the NSW Taxi Industry has experienced two significant price shocks. These have been for the cost of LPG and Compulsory Third Party Insurance (CTPI).

In mid-2013, average LPG prices were 74.3 cents per litre. By December 2013, these prices had spiked to an average of 92 cents a litre, with some prices in urban areas exceeding \$1.00. The increase in LPG costs in the Country has been even more significant. Overall, these increases are in well in excess of 20% and obviously significantly above CPI.

The trend in LPG prices is illustrated in the graph below:



The price increases are significant and they have a material impact on both operators and drivers. In Sydney, these price increases directly reduce the revenue of drivers and in other areas, both drivers and operators are adversely affected by these cost hikes. It is therefore incredulous that IPART can make bold assumptions to the effect of:

...we expect that our recommendations will provide sufficient revenue for drivers and operators to retain their existing level of earnings...⁴¹.

The NSW Taxi Council notes that IPART has stated in its Draft Report that it will carry out a review of LPG prices if they rise by in excess of 20%. Apart from the fact that the

⁴¹ IPART, Draft Report, *Op Cit*, p.38

NSW Taxi Council has repeatedly asked IPART to return to the TCI to properly monitor taxi costs and adjust fares accordingly, we press for an immediate review of LPG prices in this regard.

Recommendation

IPART undertake and immediate review of LPG prices and increase fares to compensate for these increases as soon as is possible.

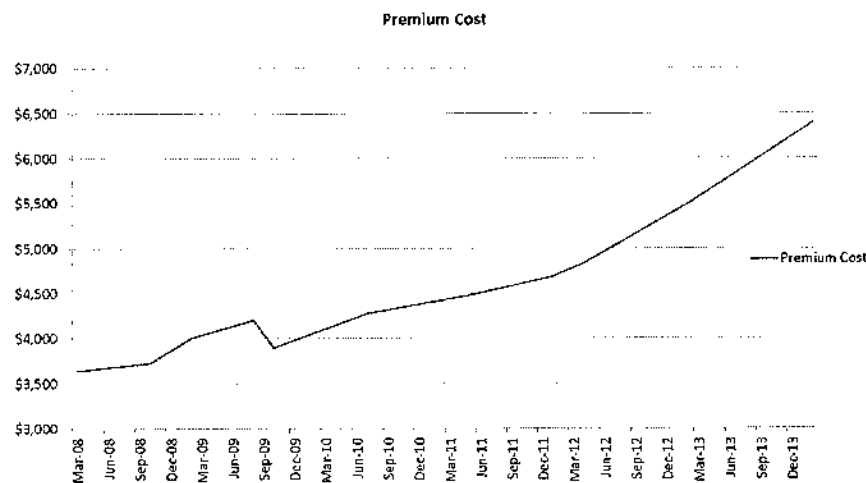
4.12.2 Compulsory Third Party Insurance (CTPI)

The other major cost increase that is confronting the NSW Taxi Industry is the rise in the price of annual premiums for CTPI. The insurance industry has announced that premiums for CTPI for taxis in NSW will rise by approximately \$900 taking the price of a premium for CTPI from \$5,500 to \$6,360. For rural and regional taxi, CTPI premiums are set to rise by over \$1,100.

When combined, these increases are well in excess of 20%. They directly impact on operators who will feel the financial stress immediately. Without a fare increase to compensate for these rises, taxi operators will suffer a deterioration in their financial position and ongoing viability.

These price rises also make a mockery of IPART's assumption that prices are likely to rise in line with CPI.

As can be seen in the graph below, CTPI has been rising above CPI for six (6) years and these increases are becoming more significant. Within increased congestion and more aggressive driver behaviour arising from increased competition through the introduction of more taxis resulting in further accidents, this upward trend is likely to continue.



The NSW Taxi Industry is not just seeking a fare increase to help compensate taxi operators for these increased costs (although this is considered critical in the short term), it is also actively pursuing initiatives that will help put downward pressure on CTPI premiums. The Taxi Council is running an proactive driver education campaign on accident prevention and specifically pedestrian awareness⁴², as well as trialling collision avoidance technology in taxis to see if this can help mitigate against upward pressure on taxi insurance costs⁴³.

The NSW Taxi Council, in its submission to the NSW Motor Accidents Authority provided in-principle support to the NSW Government's proposed changes to the CTPI scheme. The NSW Taxi Council considered that the introduction of a no-fault CTPI scheme would have put downward pressure on CTPI premiums and therefore contributed to more efficient costs for taxi operators.⁴⁴ It is therefore unfortunate that these reforms have not proceeded at this time, however the NSW Taxi Council will continue with the above initiatives in the interim whilst the issue of CTPI reform is resolved by the NSW Government.

The above two cost items and their movement well in excess of CPI clearly illustrates the folly of IPART abandoning the TCI model and replacing it with arbitrary fare freezes and simple assumptions that prices will increase by CPI. Owning and operating a taxi is a complex business that requires effective operational and financial management. The NSW Taxi Council provides significant training to aspiring taxi operators to help ensure that they are best prepared for the rigours of owning and operating a taxi. This is why it is both disappointing and alarming that IPART, in its pursuit of its economic ideals, has abandoned a decade worth of cost measurement and therefore lost a significant amount of corporate knowledge in this area.

Recommendations

IPART return to the use of the TCI.

IPART review the TCI in light of the significant increase in costs of CPTI and recommend an adjustment to taxi fares accordingly.

4.13 Industrial Relations

One of the more disturbing aspects of the IPART report is the divisive language that it uses and the open 'class warfare' it is advocating between drivers, operators and owners. These recommendations and ideas that are being promoted by IPART in this regard need to be challenged.

⁴² Actuarial assessments supplied by the NSW Motor Accidents Authority of taxi collision indicate that pedestrian accidents are one of the highest contributors to upward pressure on insurance premium costs

⁴³ NSW Taxi Council, *NSW Taxis to Get Collision Avoidance Technology*, www.nswtaxi.org.au

⁴⁴ NSW Taxi Council, *Submission by the NSW Taxi Council – Reforms to the Compulsory Third Party Green slip Insurance Scheme*, dated 10 April 2013

IPART is openly advocating for drivers to leave their operator to shop around for a better pay-in deal. It is also advocating for operators to renegotiate lease terms to get a better deal, or leave that owner altogether and bid for a cheaper licence from the NSW Government⁴⁵. IPART then takes this notion further and encourages operators and drivers to enter into industrial disputes in the Industrial Relations Commission over pay-in rates.⁴⁶

What is being advocated by IPART is instability and churn in an industry that is there to provide a service to the travelling public. IPART is clearly hoping that this instability will lead to further downward pressure on taxi values by creating a sense of crisis and division. IPART even goes so far as to suggest that the NSW Taxi Council should act against the interests of its members and help facilitate this churn and instability by actively encouraging owners to reduce their leasing rates⁴⁷. These types of disingenuous and naive statements are akin to asking a Board of Directors to abandon their fiduciary duties and not act in the best interests of their company and its shareholders, and therefore do nothing to advance constructive dialogue around sensible taxi reform.

It is extraordinary how IPART can think that this process of division, instability churn is in any way consistent with the intent of the reforms passed by the NSW Parliament in November 2009 that required "*a gradual, sustainable way to improve services for customers and the long-term viability of the industry*".⁴⁸

4.14 Infrastructure Issues

As outlined in previous submissions, IPART has also failed to take into account basic infrastructure considerations in making its recommendations on the future release of licences. Sydney has finite street space and despite the development of the Sydney City Centre Access Strategy by the NSW Government, this capacity is unlikely to change in the near future.

As outlined in the Sydney City Centre Access Strategy, with the advent of light rail, space within the Sydney CBD will be under significant pressure and it is likely, subject to further analysis, that there will not be significant increases in taxi rank kerb space into the future.⁴⁹

Feedback from drivers, including at the IPART Open Forum, clearly indicated that this is a real issue that will only be exacerbated by increasing the number of taxis. Already taxi ranks are overcrowded and taxi drivers are increasingly being infringed for setting down and picking up passengers in the City and other major metropolitan areas.

These infrastructure limitations also exist at Sydney Airport. The holding bays and kerb side space at the terminals is limited and these will not be increased significantly in the short to

⁴⁵ IPART, Draft Report, *Op Cit*, pp. 42-47

⁴⁶ *Ibid*

⁴⁷ *Ibid*

⁴⁸ NSW Government, *Agreement-in-Principle speech, Passenger Transport Amendment (taxi licensing) Bill 2009, dated 27 October 2009*

⁴⁹ NSW Government, *Sydney City Centre Access Strategy*, September 2013

medium term. In fact, in its Sydney Airport Preliminary Draft Master Plan 2033, Sydney Airport Corporation Ltd (SACL) is seeking a modal shift from private vehicles to public transport (buses and trains) of 7% to help accommodate future growth⁵⁰, making it unlikely that significant further investment in taxi holding capacity will be undertaken.

Given these infrastructure limitations, it is difficult to see how IPART's prescription of continued releases of licences is going to improve driver amenity as well as customer service.

4.15 Social Impacts

IPART has again failed to adequately respond to the social impacts of its proposed reforms. The NSW taxi industry is made up of many thousands of small operators and owners. Over 80% of licences are owned by one person. This fact was highlighted during the debate for the *Passenger Transport Amendment (taxi licensing) Bill 2009* as follows:

So we are talking about thousands of small businesses across this State, which are experiencing enormous angst about what will happen if the Government does not consider the unintended consequences of this bill on their small businesses. I stress that point: 84 per cent own one plate and a further 10 per cent own two.⁵¹

Many families rely on the income generated by the taxi industry. Whether this is by way of driving a taxi, operating one or two taxis as a fleet owner, or leasing their licence that they have invested significantly in over many years, the taxi industry is characterised by its small business, family owned and operated roots. The consequence of the strategy that IPART is pursuing through the Fare Review and Licence Review is that many thousands of people who make up the fabric of this industry will be negatively impacted.

The social impacts of these proposed reforms cannot however be adequately described in the sterile environment of policy papers and submission. These are fundamental human experiences that go far beyond the sterility of economic theory. A review of the experiences of families that have been negatively affected by the radical reforms of the Victorian Government, manufactured by Professor Alan Fels, clearly illustrates the negative social consequences of these rationalist ideas:

The NSW Taxi Council is in receipt of advice from taxi owners who are now having to sell their homes to pay for losses incurred as a consequence of the downward pressure the Victorian Government has placed on taxi licences. This has come about as a consequence of negative step change that the Victorian Government has introduced in respect of licence reform and the resultant impact on the market. Banks in Victoria are no longer recognising the value of taxi and in some cases are forcing licence owners to sell their homes as they call these loans in.

These are real and powerful stories of economic and social decline in families who are not wealthy but invested in good faith to make a living and create a future for themselves and

⁵⁰ SACL, *Sydney Airport Preliminary Draft Master Plan 2033*, June 2013, pp. 78-90

⁵¹ NSW Parliament, Hansard

their children⁵². It is in this context that the callous nature of comments by some politicians and regulators in response to these situations is breathtaking.

4.16 Rural and Regional Taxis

In its Draft Report, IPART is also proposing that these licencing reforms be extended to taxis in rural and regional NSW. As outlined earlier in this submission, the NSW Taxi Council believes that there is no legitimate reason for this to occur.

Taxi services are being provided to a high standard, as is evidenced by the negligible level of complaints received through the Government's independent feedback management system, and generally taxi operators and drivers are living on modest means. Furthermore, increasing competition from the illegal activities of some hire car operators as well as tax payer funded Community Transport has been having a negative impact on a number of taxi operators in rural and regional NSW, to the extent that some are now only marginal and are considering exiting the industry.

The issue of illegal hire activities has prompted Transport for NSW, amongst other reasons, to review the regulations that control the Private Hire Car industry and to specifically look at the issue of pre-booking times⁵³. The issue of Community Transport is more complex and in some cases problematic. Community Transport generally provides services to the frail and aged and is funded through extensive Commonwealth, State and Local Government grants. This therefore provides a competitive advantage to Community Transport in the provision of transport services, and strong anecdotal evidence suggests that this is having a material impact on taxi operators and drivers, particularly in rural and regional NSW. This issue raises questions about competitive neutrality and is a matter that is being reviewed separately by the NSW Taxi Council given the impact Community Transport is having on the taxi industry, particularly in Country NSW.

In many instances, towns in rural and regional towns are 'over-cabbed' and as a consequence, there are currently nearly 50 licences, or approximately 5% of the NSW Country taxi fleet.

There are also other key externalities that are affecting rural and regional NSW that IPART appears to have ignored in making its recommendations. Rural and regional NSW generally suffers from lower economic growth than major urban centres, higher unemployment⁵⁴ and also have a faster ageing population. In some instances, rural and regional towns suffer population decline, particularly where a major industry that is critical to a rural centre closes.

The situation facing rural and regional centres generally, including those in NSW has been well summarised by Mr Paul Collits, an Adjunct Senior Lecturer at the University of NSW and

⁵² These family impact statements have been provided in-confidence and in good faith by those families. The NSW Taxi Council has received permission to include these stories in this submission on the basis that the personal details of the families are removed.

⁵³ Transport for NSW, *Request for Feedback – Hire Car Pre-Booking Times*, www.transport.nsw.gov.au

⁵⁴ For example, Wollongong's unemployment rate is generally 1.5% higher than the national average – Source: Wollongong City Council, *Economic Profile*, www.economicprofile.com.au/Wollongong, 6 February 2014.

a manager of policy in the former NSW Department of State and Regional Development. Mr Collits states:

A number of regional problems have surfaced over recent decades that have demanded the attention of policy makers and generated calls by regional interests for ameliorative action by governments. These problems include the sudden economic shocks caused by downturns in "one industry towns" as a result of economic restructuring; the continued emptying of the inland; the ongoing (and increasing) domination of State economies by their capital cities as a result of the processes of globalisation; increasing disparities within and between regions across a wide range of social and economic indicators; and environmental pressures and high unemployment in rapidly growing coastal regions⁵⁵

This is why the NSW Government has developed a range of investment subsidy programs for rural and regional development to help stimulate economic growth, improve employment conditions and respond to key policy challenges such as the rapid ageing of the population, particularly in coastal towns⁵⁶.

There are also complex cross border issues that the NSW Government and the NSW Taxi Industry is seeking to resolve; issues which are having potentially negative financial impacts for country taxi operators, and unilaterally adding more licences to these situations will only exacerbate these problems.

Furthermore, under the current arrangements of the *Passenger Transport Act, 1990*, there is no statutory limit on the number of taxis in rural and regional NSW, and an application for a licence in areas outside of Sydney can be made at any time. The price for the licence is determined by the market based on the value set by transactions of taxi licences in the relevant region. In addition, there are significant subsidies for WAT's in country areas, which are available at no cost to the applicant, and financial support by way of interest free loans are available to applicants who assistance with the establishment costs associated with a WAT.

It is therefore considered inappropriate for IPART to unilaterally determine that taxi services in NSW rural and regional centres are inefficient and not performing and is in need of licence reform. This assessment is misplaced and not grounded in reality.

As outlined earlier in this submission, it is also inappropriate for IPART to recommend an ongoing freeze for taxi country fares. Given that rural and regional NSW are more sensitive to costs movements and the recent price increases for LPG and CTPI have been greater in the country than for the city, it is very important that the cost based model used to determine taxi fares in rural and regional NSW be reinstated as soon as is possible.

⁵⁵ P.Collits, *Small Town Decline and Survival, Success Factors and Policy Issues*, The Regional Institute Ltd, www.regional.org.au, downloaded on 6 February 2012

⁵⁶ For example, the Commonwealth Department of Infrastructure and Regional Development manages the Regional Development Australia Fund. The NSW Government also has similar regional economic development programs.

Recommendations

That the current licencing arrangements under the *Passenger Transport Act, 1990* for areas outside of Sydney remain unchanged

That IPART return to the TCI model and review fares for Country taxis as soon as is possible

That IPART review the impact of LPG prices as soon as is possible and adjust Country Taxi Fares accordingly

5.0 POSITIVE TAXI REFORM

As outlined in this submission, it is clear that IPART has recently formed a view that the NSW Taxi industry that is predominantly negative. IPART has been undertaking the review of taxi licences for nearly two years and since this time, it has not had a positive word to say about the industry. This is clearly evident in the numerous reports and issues papers IPART has prepared over the past two years.

IPART language is overwhelmingly negative, talking about division, underperformance, inefficiencies, a lack of competition and little or no contribution to the economy. IPART goes further by encouraging a form of class warfare within the industry, pitting owners against operators and operators against drivers and ultimately the industry against the public. In short, IPART believes that the industry is broken and must be completely overhauled to be fixed. This is considered to be a deliberate attempt by IPART to talk down the NSW Taxi Industry to try and give legitimacy to its radical reforms.

Furthermore, it is considered that IPART has given considerable weighting and credence to a small number of stakeholders who support IPART's views. The extensive referencing of and weight given to Mr David Cousin's views, a Commissioner from the Victorian Taxi Industry Inquiry, is highly instructive in this regard. The constant referencing of the Australian Taxi Drivers Association (ATDA), (which wants to flood the market with 3,000 licences in direct conflict with the wishes of taxi drivers), at the expense of the NSW Transport Workers Union and NSW Taxi Drivers Association, both of which opposed any more licences, is also instructive in this regard.

In short IPART wants to reform the NSW Taxi Industry in a negative and disruptive manner, rather than looking at the positive benefits and contribution the industry makes and building off this platform.

This approach by IPART ignores the tremendous pride and commitment participants within the NSW Taxi Industry have in what they do and the services that they provide. This collective pride and commitment was clearly on display at the IPART Public Hearing on 22 October 2013 where speaker after speaker from all levels of the industry spoke of the hard

work that they do in order make the industry work⁵⁷. Their passion and commitment was immediately evident, as was their frustration with having to cope with more plates⁵⁸, crowded taxi ranks, fines from parking rangers and the challenges of making a reasonable return.

The NSW Taxi Council therefore strongly believes that reform to taxis needs to work from a positive base and build on the strengths of the industry to help build better services for customers and at the same time ensure the long term viability of the NSW Taxi Industry. It requires a more sophisticated and holistic approach than the narrow, blunt instrument being proposed by IPART.

As stated in this and previous reviews, the NSW Taxi Council is not opposed to the growth of taxi licences, as long as any new licences can be linked to genuine demand. We are also not opposed to looking for efficiency in fares, as our work to reduce insurance premium costs and investing in more fuel efficient vehicles demonstrates. Furthermore, the NSW Taxi Council readily agreed to remove the movement in licence lease costs from the TCI to help put downward pressure on fares, which further demonstrates our commitment to ensuring that we remain a competitive and viable industry.

It is for these reasons that the NSW Taxi Council presses for any reform to be based on practical and transparent models in these areas and strongly argues for an immediate return to the STGM for the review of taxi licences and the TCI for the review of taxi fares. The NSW Taxi Council is willing to work with the NSW Government and its agencies to review these models where necessary to ensure that they are current and appropriate however we cannot accept the reckless unilateral abandonment of these models by IPART that has occurred since 2012.

The NSW Taxi Council also advocates for proactive reform that addresses long standing issues around driver competency and quality, vehicle standards, . These issues go to the core of quality taxi services and the NSW Taxi Council is currently in discussion with Transport for NSW and Roads & Maritime Services regarding opportunities to put in place structural systems that will help achieve this outcome.

These systems include, but are not limited to, the following:

- Improved uniform vehicle inspection protocols that ensure a higher level of compliance with vehicle maintenance and passenger comfort standards
- Enhanced driver training to improve competence, customer service and create pathways for driver career development, as well as increased training for Wheelchair Accessible Taxi drivers and operators to improve customer service for the disability community.

⁵⁷ IPART, *Public Hearing on the Review of Maximum Fares for Taxis and the Release of Annual Sydney Taxi Licences*, Transcript, 22 October 2013

⁵⁸ This frustration was generally aimed at the number of plates that have been released in recent years, and there was a collective concern amongst taxi industry representatives, with the exception of the ATDA, that IPART was recommending substantially more plates be issued.

- The NSW Taxi Council is also working with the Commonwealth Department of Veterans' Affairs to develop specific driver training for this key client group who have a high standing in the community
- Minimum standards for taxi vehicle equipment that protects consumers and drivers and therefore enhances customer service. These include:
 - taxi receipts to protect customers from price gouging and improve transparency and accountability
 - Independently certified camera standards to protect drivers and passengers from assaults and robberies
 - Improved meter standards so that changes between fare tariffs is done automatically, thereby customers are protected from overcharging
 - Improved meter standards to ensure that tolls are automatically recorded on the meter, thereby improving transparency for both customers and drivers
- Increased training for Wheelchair Accessible Taxi drivers and operators to improve customer service for the disability community
- Structured compliance processes for drivers to help improve customer service and providing for better procedural fairness for drivers
- Increased innovation of taxis services through improved technology that improves safety and service reliability.

Furthermore, the NSW Taxi Council is proactively working with the NSW Government and its agencies, as well as the City of Sydney, on taxi strategies that will directly improve service to customers and safety to drivers. These initiatives involve the following:

- The development of a taxi strategy for the Sydney CBD to improve access, particularly given the advent of the new Light Rail⁵⁹
- The trial of a dedicated transport hub at Kings Cross
- Trial of access to mail zones for increased kerb space for taxi drivers
- Investigating the establishment of other mega-taxi ranks in Sydney to provide higher levels of customer service during peak demand periods including Friday and Saturday nights⁶⁰

⁵⁹ NSW Taxi Council, *Submission on the Sydney City Centre Access Strategy*, dated November 2013

⁶⁰ *Ibid*

- Trialling collision avoidance technology to improve safety for drivers, passengers and other road users⁶¹

In addition to the above, the NSW Taxi Industry is committed to Corporate Social Responsibility (CSR) and support to key NSW based initiatives. In 2013, the NSW Council in partnership with Alzheimer's Australia, helped produced a high level training resource for taxi drivers on the Is It Dementia awareness campaign. The NSW Taxi Council also continued its long standing training association with Guide Dogs NSW/ACT and through direct sponsorship and the generosity of taxi drivers provided enough funds to sponsor a guide dog to provide to a person suffering from vision impairment. This sponsorship is ongoing and further financial commitments are likely.

The above initiatives and proactive approach to reform is reflective of an industry that is forward looking, customer focussed and not resistant to change. This type of reform also starts from a positive base of the overall service being provided to the traveling public of NSW, the commitment of drivers, operators, networks and owners to providing a high level of service, the significant resources that the industry puts towards improving standards and services and the economic and social contribution the NSW Taxi Industry makes to the State of NSW.

When looked at in this context, the NSW Taxi Industry is a lot better than what IPART is asking the community to believe. It is only when this negative attitude of IPART is changed and a more balanced approach to taxi industry reform is adopted, will there be a proper and concerted effort by all parties to build on this solid base and further improve the industry into the future. The NSW Taxi Council and the taxi industry more broadly is actively engaged on a proactive basis around positive outcomes for the community and it is hoped that IPART can recognise the real benefits of this approach.

⁶¹ NSW Taxi Council, *NSW Taxis to Get Collision Avoidance Technology*, www.nswtaxi.org.au

APPENDICES

- A. Deloitte Access Economics, Economic and Social Impact of the NSW Taxi Industry on NSW**

Deloitte Access Economics

The economic and social contribution of the NSW taxi industry

NSW Taxi Council

12 December 2013

Deloitte.

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Glossary

ABS	Australian Bureau of Statistics
ATIS	Authorised Taxi Inspection Station
ATO	Australian Taxation Office
CCN	Combined Communication Network
DAE	Deloitte Access Economics
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EFTPOS	Electronic Funds Transfer at Point Of Sale
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GOS	Gross Operating Surplus
NSW	New South Wales
PC	Productivity Commission
TTSS	Taxi Transport Subsidy Scheme
WAT	Wheelchair Accessible Taxi

Executive Summary

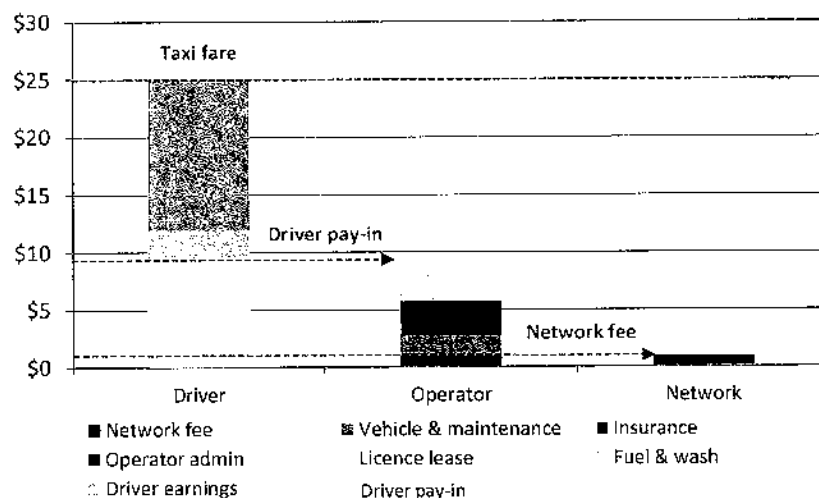
The NSW taxi network forms an integral part of the State's public transport network. The ubiquitous door-to-door service provided by taxis complements other forms of public transport throughout Sydney and regional NSW. Taxi services are particularly valuable for those with special transport needs, but they are also used by a large cross section of the community and have substantial flow on effects for the efficient functioning of the NSW economy. This study examines the economic contribution of the NSW taxi industry and its role in connecting people, promoting social inclusion and supporting economic activity.

There is a range of activity that takes place 'behind the scenes' to ensure that taxi services are efficiently provided and meet users' needs. Authorised taxi networks maintain call centres to collect and dispatch bookings, monitor the safety of drivers and passengers, and assist the NSW Government in ensuring compliance with regulatory standards. Taxi owners, operators and drivers all play a vital role in providing a range of services to the travelling public. Various businesses fit out and maintain the taxi vehicles and Authorised Taxi Inspection Stations perform regular safety checks.

The NSW Taxi Industry is funded by the private sector from the fares paid by passengers. The NSW Government does not provide any funding to the industry. Funding is provided to some taxi passengers through the Taxi Transport Subsidy Scheme (TTSS) although this is relatively small in dollar terms compared with other public transport expenditures.

The industry generates economic activity for upstream industries such as: vehicle manufacturers, mechanics and automotive parts suppliers, dispatch and radio equipment manufacturers, the insurance industry, advertisers and fuel distributors. For an illustrative NSW taxi fare of \$25, around half is paid to the driver, with the remainder distributed throughout the sector and the economy more broadly, as depicted in the following chart.

Chart 1: Where does a typical \$25 taxi fare go?*

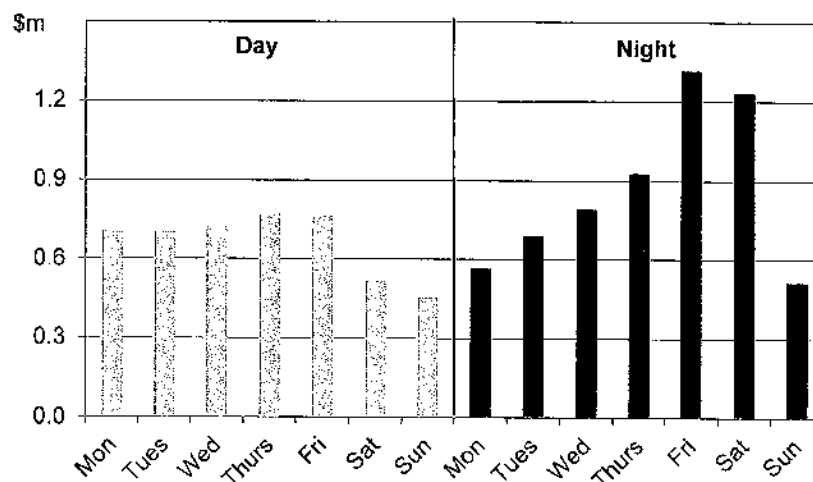


Source: Deloitte Access Economics estimates. *Excludes GST, card fees and tolls, and cash tips to driver

Based on a reconciliation of a range of data sources including ATO, ABS, Transport for NSW, and data from networks, it is estimated that the sector contributes \$936 million in direct value added to the NSW economy and **\$1.15 billion in total value added to the NSW economy**. The industry also directly employs almost 17,500 people, measured on a full-time equivalent (FTE) basis, and supports a further estimated 1,060 FTE in other parts of the economy. Due to some part time and casual workers, the headcount number of people working in the industry would be somewhat higher than the number of FTEs.

It is also estimated that the taxi industry generates significant value beyond its contribution to GDP. In many instances, taxis provide a service where there is no close substitute available. Over the year, the industry is estimated to generate **\$556 million in additional consumer surplus to NSW**, over and above the monetary fare paid. This represents a lower bound for the value of taxi services as it is not likely to fully capture the value placed on taxis and does not account for the broader social value enabled by taxi services through, for example, enabling people with restricted mobility to work. Nonetheless, it does demonstrate that taxis make an important contribution to the economy and the community.

Chart ii: Consumer surplus generated by the taxi industry throughout the week



Source: Transport for NSW; Deloitte Access Economics estimates

Government Revenue

In addition, since the introduction of the reforms to the NSW Passenger Transport Act (1990), the NSW Government has become the single biggest lessor of taxi licences in the State with an estimated 600 taxis under lease. Based on current published prices of the lease value of these licences, the NSW Taxi industry generates approximately \$10 to \$15 million per annum. Combined with taxes, authorisation and other regulatory fees, the NSW Taxi Industry provides up to \$20 million per annum in revenue to the NSW Government.

With total revenues of nearly \$1.3 billion per annum (excluding GST), the industry also collects approximately \$130 million in gross GST revenue per annum. However, the net amount of GST remitted would depend on input tax credits from operating expenses.

Passengers or parcels using taxis for business purposes would generally also be able to claim the GST relating to those fares as a business input tax credit.

Tourism impact

Previous estimates by Deloitte Access Economics for Sydney Airport (DAE, 2013) found that:

- The average interstate domestic passenger generates a total of \$639 in value added for the Australian economy, and
- The average international passenger generates a total of \$2,328 in value added.

Tourism Research Australia data indicates that, compared with all visitors arriving on flights to Sydney, the subset of those that use taxis are (on average) higher-spending visitors:

- The average **taxi-using** interstate domestic airline passenger generates a total of \$733 in value-added for the Australian economy (15% more than the average interstate domestic airline passenger)
- The average **taxi-using** international airline passenger generates a total of \$2,879 in value added (24% more than the average international airline passenger).

Deloitte Access Economics

1 Introduction

Taxis are a vital component of NSW's public transport system. Their flexibility, both in terms of round-the-clock availability and door-to-door service, is an important complement to regular scheduled services provided by other forms of public transport. They are particularly valuable for less mobile groups in the community, such as elderly and disabled people. However, a diverse range of users rely on taxi services, including regular users such as businesses, tourists, people without cars, as well as users that rely on taxis as a backup or when unexpected disruptions occur, for example when it rains or when there are public transport disruptions. Taxis are also heavily relied upon to take people directly to their homes when they work extended hours or are out late at night.

A large range of stakeholders are involved in ensuring that safe and reliable taxis are available to customers at any time throughout the day or night. This includes industry participants like authorised networks, licence owners, operators and drivers, as well as businesses that supply goods and services to the industry such as vehicle and equipment manufacturers, insurance providers, fuel suppliers and mechanics.

The NSW taxi industry is also one of the most highly regulated industries in Australia, with the number of taxis, fares and quality of service all subject to regulation by Transport for NSW. This reflects the complexity of the taxi industry, with a large number of different players, each with different incentives. Regulation enables taxi services to be supplied to the travelling public that is safe, reliable and affordable. It also provides a level of predictability in respect of the cost of fares. However, like any regulation, there is a balance to be struck between compliance costs, red tape, enabling sufficient competition and community safety.

A combination of increasing residential density – bringing with it lower car ownership and less parking – and an ageing population mean that taxis will become an increasingly important link in the NSW transport system in coming years.

1.1 Study approach

The purpose of this report is to estimate the economic contribution of the NSW taxi industry to the NSW economy, and the broader welfare benefits created by the industry.

The framework for the core **economic contribution** analysis involves the following steps:

1. Estimate the direct economic activity generated by the taxi industry, including employment, value added (contribution to GDP) and taxes & fees paid;
2. Discuss with some key industry stakeholders about the linkages and contributions of the industry (such as licence holders and network operators);
3. Assess the flow-on demand generated in the economy (purchases made by the taxi industry, including maintenance, purchases of vehicles, LPG, radio transmission spectrum, and so forth); and

4. Apportion the contribution to a geographical area, in this case Sydney and the Rest of NSW.

To estimate the welfare benefits – or **consumer surplus** – created by the industry we draw on existing data and literature to estimate demand for taxis at various times of day, and at various price points. This analysis can be used to estimate the additional benefits that flow to consumers under the current pricing structure.

1.2 Report structure

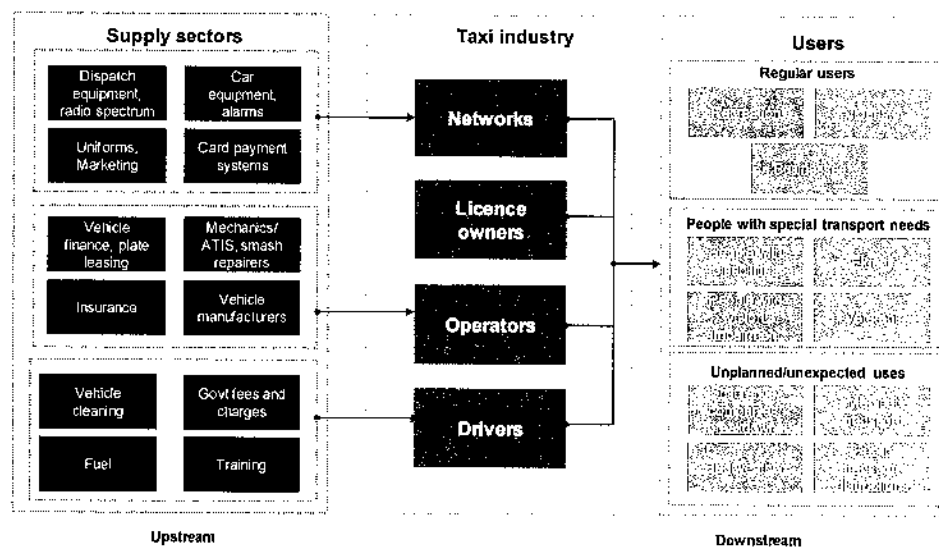
The remainder of the report is set out as follows:

- **Chapter 2** provides an overview of the key stakeholders within the industry, as well as the various sectors that provide services to the industry and the range of user groups that rely on taxi services.
- **Chapter 3** presents the economic contribution of the taxi industry. It outlines the direct and indirect economic contribution of the taxi industry in NSW based on DAE modelling inputs. The chapter also provides an account of the contribution by metro and non-metro region.
- **Chapter 4** provides an estimate of the value of the industry above and beyond its contribution to GDP, or the consumer surplus generated by the industry. The chapter recognises that the value of taxis to users is often significantly higher than the price paid for the fare.
- **Appendix A** outlines the economic contribution of the NSW taxi industry using the unadjusted analysis from the original CIE study and the revised inputs based on DAE's assessment.
- **Appendix B** provides more detail on the IO modelling framework used in this report.

2 Overview of the NSW taxi industry

A diverse range of users rely on taxis for business, social and recreational purposes, and a wide range of activity that takes place 'behind the scenes' to ensure that safe and reliable taxis are available to customers when needed (Figure 2.1). This chapter describes the various participants within the taxi industry, and the linkages between the taxi industry and related industries, such as insurance, mechanics, and vehicle manufacturers. It also discusses the various users of taxi services, including regular users like businesses, tourists, and people with limited mobility or vision impairment, as well as their important role as a back-up transport option to minimise disruptions in unforeseen or occasional circumstances.

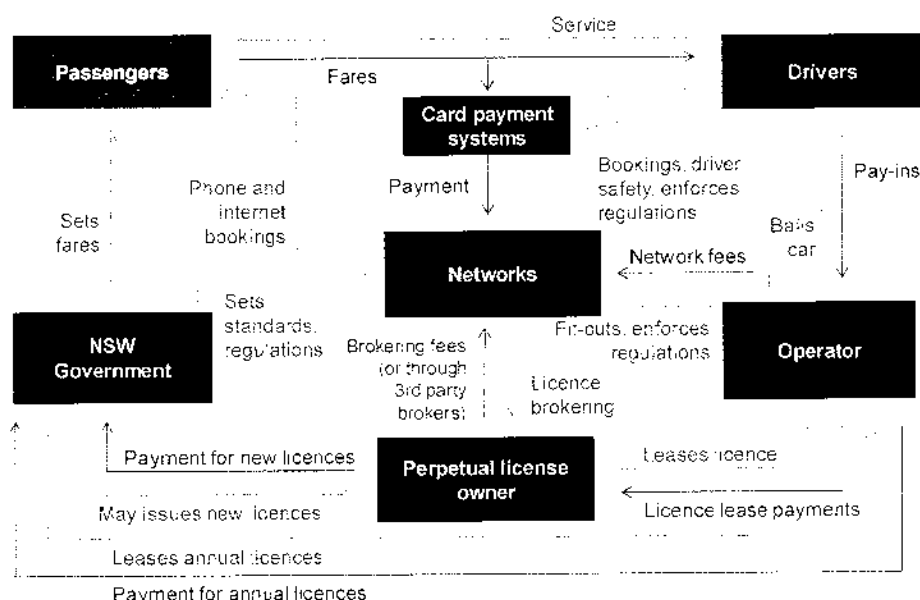
Figure 2.1: Taxi industry economic linkages



2.1 Structure of the taxi industry

There were 5,647 taxis on the road at 1 January 2013 in the Sydney taxi market and 1,041 in country areas (Transport for NSW). While taxi users generally just interact with taxi drivers and call centres, the taxi industry involves a number of participants with different functions and responsibilities (Figure 2.2).

Figure 2.2: Taxi industry roles and payments



Each taxi is managed by an operator, who leases or purchases a taxi licence, contracts drivers under bailment and manages the day-to-day maintenance of the vehicle. Taxis also need to be affiliated with a network, which help fit out the vehicle and provides booking services, safety monitoring, training and education, financial and leasing support, and a wide range of compliance related activities.

Often, participants operate across a number of functions within the industry. For example, a number of licence-owners also operate and drive a taxi, while some networks may own licences and operate taxis.

The NSW taxi industry is also among the most highly regulated industries, with quality, safety, the quantity of taxis and fares all subject to regulation. The NSW Government generates revenue by leasing annual taxi licences and charging regulation and compliance fees. The NSW Government also provides taxi travel subsidises for school students with special needs and disabled passengers, and the Commonwealth subsidises taxi services for veterans.

The NSW taxi industry operates under a co-regulatory model, where the NSW Government sets the standards, stipulates maximum fares, and issues licences and accreditations. The networks monitor and assist the Government in enforcing industry standards for operators, drivers and vehicles. The NSW Government also has a team of inspectors in the field monitoring compliance.

The following sections give an overview of the role of taxi networks, operators, drivers and the NSW government in the taxi industry.

Authorised taxi networks

All taxis in NSW must be affiliated with an authorised network in operation across NSW (Transport for NSW, 2013). The number of taxis per network ranges from over 4,000 for Combined Communications Network (CCN) which operates a number of distinct networks within this number, through to one or two taxi in a network in small regional areas.

Authorised taxi networks play several important roles within the taxi industry. When a vehicle is first converted to a taxi, authorised taxi networks assist operators to fit out the vehicle with branding, taxi meters, security alarms and cameras, radio communications equipment, and other equipment in order for the taxi to operate according to the regulations and to meet customer requirements. In some cases, networks also assist operators to convert vehicles to make them accessible by wheelchair, or this work is carried out by third party service providers.

Once the taxi is on the road, networks provide booking services and security monitoring for taxi drivers and passengers 24 hours a day 7 days per week. Each of the networks in Sydney is associated with one of four call centres which take bookings from the public and dispatch them to taxis. Each network also provides taxi services to regular accounts. The number of taxi bookings is significant. For example, the call centre operated by CCN processes 12 million incoming calls per year (CCN, 2013). Bookings are also increasingly handled automatically through computerised call services, internet bookings and authorised booking Apps.

Call centre staff also monitor driver safety. Each taxi is fitted with a camera and a duress alarm which allows drivers to alert authorised taxi networks to any safety problems and to generate an emergency response if required.

Technology in the taxi industry

The taxi industry has a long history of being an early adopter of new technologies. Cabcharge, which was first established as a financial services provider for the taxi industry in 1976, has its credit facilities located in around 97% of Australian taxis. A number of other card payments systems have now entered the market for this service. In-car terminals are an efficient way to process taxi fares electronically, and provide users with a receipt that can be used for accounting purposes and tracking lost property. The technology has also been adopted in Singapore and the UK.

All taxi networks in Sydney use a taxi dispatch system designed by a Melbourne based company, MTDATA. The system manages the taking and dispatch of taxi bookings as well as allowing call centres to precisely track a taxi's location and speed using GPS systems installed in each car. The dispatch systems facilitate networks to send bookings to other networks to ensure that passengers are serviced quickly and efficiently. The company, which was founded in 2003, now has operations in six countries including New Zealand and the Middle East.

There has been significant investment in taxi dispatch technology as regulatory oversight and reporting requirements have increased over recent years. Authorised taxi networks are required to track the location of taxis in order to manage performance and provide safety systems for drivers and passengers.

Smartphone technology is also increasingly being adopted, allowing customers to book a taxi through an app. Authorised taxi networks have designed applications that allow passengers to book a taxi and track the taxi as it approaches. Independent developers have also designed applications that allow passengers to contact drivers directly, although there is an ongoing debate as to whether these Apps outside of authorised networks meet the required regulatory standards in relation to safety and service reliability.

Another central role of networks is to monitor and enforce industry standards for operators, drivers and vehicles. The taxi industry operates under a co-regulatory model, whereby the NSW Government sets the number of taxi licences, fares and standards for safety and quality, and accredited drivers, operators and networks, while authorised taxi networks assist the Government in ensuring that these standards are monitored and enforced. The NSW Government also monitors compliance through audits and field inspections. Under this model, the NSW Taxi industry takes on a significant share of the cost of regulation.

Authorised taxi networks are also required to report to the NSW Government on a monthly basis on key performance metrics including bookings, pickups and waiting times. The NSW Government reports on these statistics quarterly by placing them on the Transport for NSW website.

In addition to their core roles, authorised taxi networks also perform a number of other important functions including ensuring compliance with regulatory standards, managing lost property for passengers, supplying uniforms for drivers and advice to drivers and operators regarding infringement and disputes. Several authorised taxi networks also

provide additional services, such as training, leasing and brokering for taxi licences, financing, insurance broking, and repairs and maintenance. Other key services include:

- marketing and advertising of taxi services, including for major and community based events;
- credit provision to account customers;
- tendering for taxi business;
- taxi docket cashing facilities, including dockets for the NSW Government's TTSS; and,
- taxi docket fraud investigation.

Accredited taxi operators

Accredited taxi operators own or lease vehicles and are responsible for the day-to-day management and maintenance of their taxi. Operators must be accredited by the NSW Roads and Maritime Services (RMS), and as at January 1 2013, there were 2,609 active accredited operators in Sydney (Transport for NSW, 2013).

Operators must also hold a taxi licence for each vehicle they operate. These can be owned outright, leased from a licence owner or indirectly through a network or tendered for directly with the Government. The business model for operators ranges from individuals who lease or buy a taxi licence and drive their own car through to corporations with a fleet of cars under management. It is estimated that around 60% of operators lease their license, and the other 40% either own them or hold the new annual licences (IPART, 2013).

Each operator is required to be affiliated with a network, and fit out their car with the network's livery (branding) and communication and safety equipment. They pay a monthly or four-weekly fee to networks in exchange for the networks booking and safety monitoring services.

Operators are also required to hold compulsory third party insurance, workers compensation, and third party property insurance, while some choose to hold comprehensive insurance. Operators are also required to have their taxi regularly inspected at an Authorised Taxi Inspection Station (ATIS). Taxis in Sydney are required to be inspected every four months, while those operating in regional and rural areas require an inspection every six to 12 months.

While some operators drive their own taxi, most 'bail out' their car to drivers to drive their taxis. The payment between drivers and operators is referred to as a 'pay-in'. In Sydney, drivers can legally choose between two pay-in methods:

- Method 1 —first year drivers are entitled to 45% of fares, after which drivers are entitled to 50% of fares.

- Method 2 — the driver pays the operator a fixed amount at the end of each shift. The maximum pay-in for each shift is specified by law, ranging from \$171.92 for day shifts to \$261.84 for Friday and Saturday night shifts. Drivers are also responsible for paying for fuel and car washing under this method.

Consultations with the industry indicated that the vast majority (if not all) taxi drivers in the Sydney metro area operate under Method 2, with a fixed payment made to operators. This is in contrast to regional NSW and other cities in Australia, where drivers tend to operate on a commission basis. Anecdotal evidence also suggests that pay-ins tend to be well below the maximum amount in the contract determination, ranging from around \$140-\$210 depending on the day and time of the shift.

Authorised drivers

There were an estimated 24,000 authorised taxi drivers in NSW in December 2012 (ATIA, 2013), although not all were likely to be active or full time.

To become a taxi driver, an applicant must be authorised by RMS. This requires drivers to have held a full drivers licence (ie not be on P-plates, which means they must have turned at least 20 and meet NSW residency requirements), meet an English language proficiency level and undertake training through a Registered Training Provider before they can be tested and authorised by Transport for NSW. Once they have completed their training and authorisation they receive a provisional one-year taxi driver authority and then are required to complete further training, provided by the NSW Taxi Council, within a year.

Drivers must wear the approved uniform of the network to which their vehicle is affiliated, and be logged in to that network while available for hire. To be able to log in to the network, the driver must have successfully completed an inhouse training session provided by the network and be issued with a personal identification number to access the radio equipment.

The drivers' income determined by the fare revenue collected together with an additional proportion of EFTPOS card surcharges paid by card providers, and any cash tips. These funds are used to cover the pay-in¹ to the operator, and fuel, tolls, cleaning costs and GST, with the balance being the income for the driver. Drivers also pay a number of upfront costs, including training, drivers' authorisation and driver permit. There is a government subsidy for WAT driver training.

Licence owners

Taxi licences are the primary instrument used to regulate the supply of taxis. Taxi operators need to hold a licence for each taxi that they operate, but they can either own the licence or lease it from a licence owner. As a result, licence holders range from operators/owners and networks through to investors that are not operating in the industry, such as retired taxi drivers and superannuation funds. Investors receive a licence fee from operators who lease their licences, much like any other financial asset. Some authorised

¹ Noting that outside of Sydney most drivers work on a commission basis

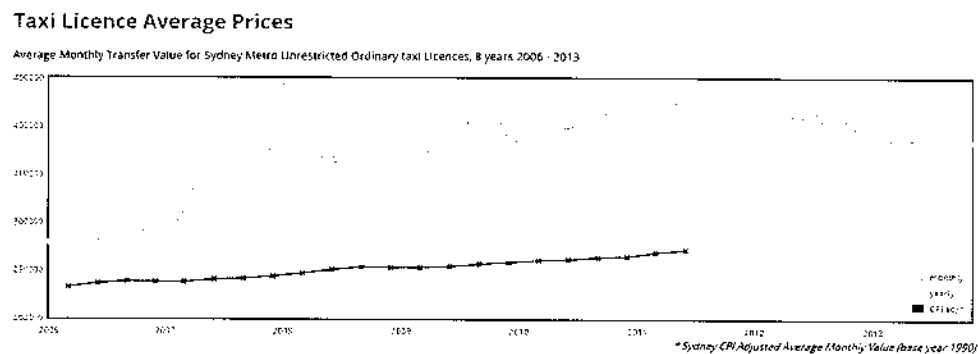
taxi networks provide a service as a licence broker to individuals who own licences, organising to lease them to operators, in return for a management fee.

There are also different types of taxi licences that operate in NSW. These include licences that are unrestricted ie, they are available to operate 24/7, while others can be restricted by time. Over an extensive period of time, the NSW Government has also issued different types of licences in terms of tenure. The majority licences are in perpetuity, however, since 1990 licences have been released with time limited tenures, usually no more than 50 years. More recently, the NSW Government has started leasing licences directly to operators.

There were 5,647 licences in the Sydney metro area on 1 January 2013 (the midpoint for the purposes of calculating the 2012-13 fiscal year economic contribution), most owned by individuals and with more than half owned by individuals who only hold a single licence.

As shown in Figure 2.3 below, based on Transport for NSW data, the average taxi licence transfer price has been falling in nominal terms in recent years.

Figure 2.3: Average taxi licence prices



Source: https://apln.transport.nsw.gov.au/mint/vap/vap_summary.php

Regulator

The taxi industry is one of only a few industries where the price (fare), the quantity and the quality of the service are all regulated. The industry operates under a co-regulatory model, whereby the government sets the standards and regulations and undertakes a range of compliance activities, with networks also providing monitoring and enforcement of standards.

The number of taxis on the road in NSW is restricted to the number of licences issued by Transport for NSW. Under law, the NSW Government is required to determine the number of new licences required by Sydney each year. This annual review of licences is conducted by IPART, which makes recommendations to Government on how many licences should be released.

IPART also recommends maximum taxi fares to the NSW Government. Fares are reviewed annually, with consideration given to the impact on passengers as well as drivers, operators, networks and licence holders.

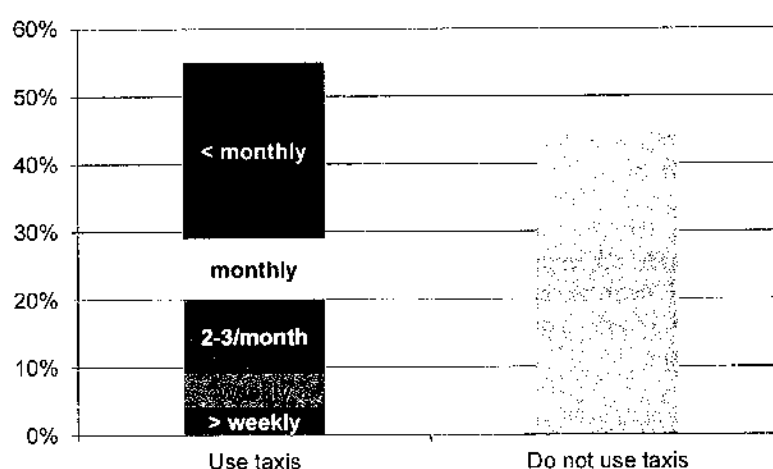
The safety of consumers and drivers and quality of taxi services are regulated through several avenues. Taxis travel large distances annually and are therefore required to pass inspections at an Authorised Taxi Inspection Station (ATIS). There are also limits placed on the age of vehicles, with standard taxis required to be less than 6.5 years old (8 years in regional NSW) while wheelchair accessible taxis (WATs) required to be less than 10 years old.

Driver training, an in-cab security camera and a duress alarm in all taxis are also compulsory. Safety and service quality are also enhanced through English language and geographical knowledge tests, vehicle and driver presentation requirements and driver training. Finally, drivers, operators and networks are all required to be authorised by the government. This differs from community transport, courtesy buses and to some extent hire cars, where authorisation is not required to the same level, with quality and safety not regulated beyond minimum standards that apply to private citizens or the standards resulting from market forces. Hire Cars, unlike taxis, also do not have any vehicle inspection or training regimes in place and solely relies on the market to ensure quality and standards are maintained.

2.2 Users of taxis

There is an average of around 480,000 passengers that ride in a taxi in NSW every day in NSW (NSW Taxi Council). There are limited empirical data available on the reasons for, and characteristics of those, using taxi services. Business commuters and tourists are thought to be those most likely to account for a large proportion of rides during the day, while taxi usage spikes on Friday and Saturday nights where other transport options are limited. In addition to these main user groups, however, taxi services are utilised by a large cross section of the community. One survey commissioned from Taverner Research by IPART indicates that more than half of Sydneysiders having used a taxi in the last six months (Chart 2.2), but overall there is currently a limited evidence base available on the uses of taxi services.

Chart 2.2: Frequency of taxi use in the past six months*



Source: Taverner Research 2012

In particular, taxis provide a vital service for communities and specific groups where alternative public transport options are limited or non-existent. For example, taxis service a wide range of special transport needs that are not always met by mass transit options (e.g. bus or train) including:

- people with restricted mobility or wheelchair accessible requirements;
- hospital/patient transfers;
- school children with disabilities through the Assisted Schools Travel Program;
- vision impairment, including those travelling with guide dogs;
- Veterans and family members covered by the Department of Veteran's Affairs; and
- The aged and frail.

For the remainder of the report we refer to these various transport needs collectively as 'special transport needs'.

This section outlines the range of users that depend on taxi services and discusses the role of taxis in ensuring that the economy functions efficiently and people can participate in society.

Business users

Taxis provide an important service to businesses in NSW. According to a survey of taxi users by Taverner Research on behalf of IPART (2012), taxi services to and from the CBD account for almost 50% of all taxi journeys and services to and from the airport account for around 25% of all journeys. A large share of these trips are likely to be undertaken by business commuters.

For many businesses, efficient means to commute within the CBD and across the city are an important driver of productivity. By minimising travel time for workers, businesses can increase the amount of time that can be spent on more productive tasks. Without ubiquitous taxi services throughout the CBD, businesses would be forced to use alternative public transport options or hire car services. These less efficient options would reduce productivity with significant knock-on effects for the NSW economy.

Taxi use by hospitals

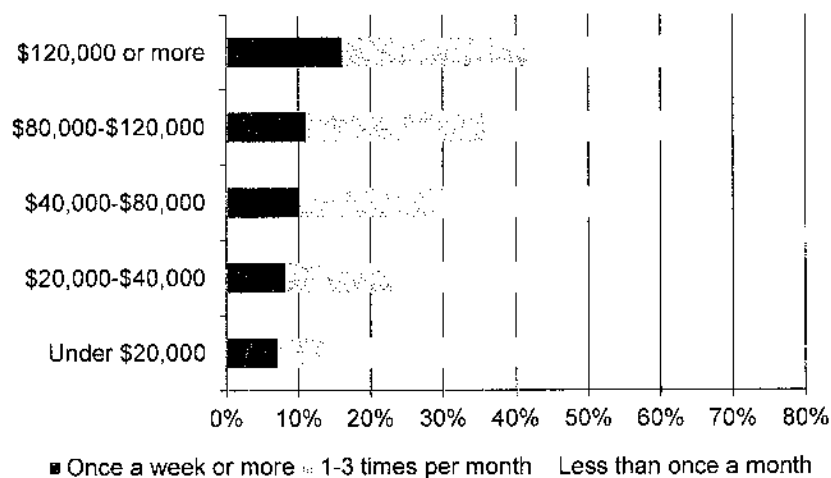
Taxis provide an efficient means for hospitals to transport patients in non-medical emergencies. Ambulances are very expensive, and taxi services provide a complement to ambulance services in non-emergency situations. This enables ambulances to be available to respond quickly to more serious medical emergencies.

Hospitals also utilise taxis to deliver blood and other specimens, particularly in life threatening situations or out of hours when courier services do not operate. Taxis are often the most efficient option for urgent and unexpected blood and specimen deliveries, which provides patients with immediate care throughout the night. Taxi services valued at a minimum of \$600,000 were delivered to NSW hospitals in 2011.

Recreational users

Aside from business use, taxis are also an important form of transport for a large section of the community. While people with higher incomes are more likely to use taxis, a survey conducted on behalf of IPART suggests that just under half of people on lower incomes in Sydney had used a taxi in the past six months (Chart 2.3).

Chart 2.3: Taxi use in the past six months by income



Source: Taverner Research 2012

For tourists who are often unfamiliar with a region's layout and public transport system, taxis provide an easy way to commute and are a useful source of information. People who do not own a car are also frequent users of taxis. This includes people who cannot afford a car and live in areas where public transport is less convenient and people who live in the inner city where parking is limited.

Taxis play an important role in supporting Sydney's late night economy. The late night economy, which includes a range of activities such as cultural activities, dining, socialising, and shopping, adds to the liveability and vibrancy of Sydney and employs a significant share

of workers within the city. Taxi services are among the most important mode of transport supporting the late night economy, and play a critical role in reducing the incidence of drink-driving and dispersing late night crowds, which can reduce noise, anti-social behaviour and in certain circumstances reduce the risk of violence.

Finally, but just as importantly, taxis provide a backup form of transport in unexpected conditions which enables the community and economy to continue to function. These range from individual circumstances, such as car breakdowns or accidents, through to bad weather and disruptions to public transport services. While these situations account for a much smaller proportion to taxi usage, they have the potential to cause significant disruption to individuals and to the community more broadly, and taxis play an important role in minimising these impacts.

Taxis and the night economy

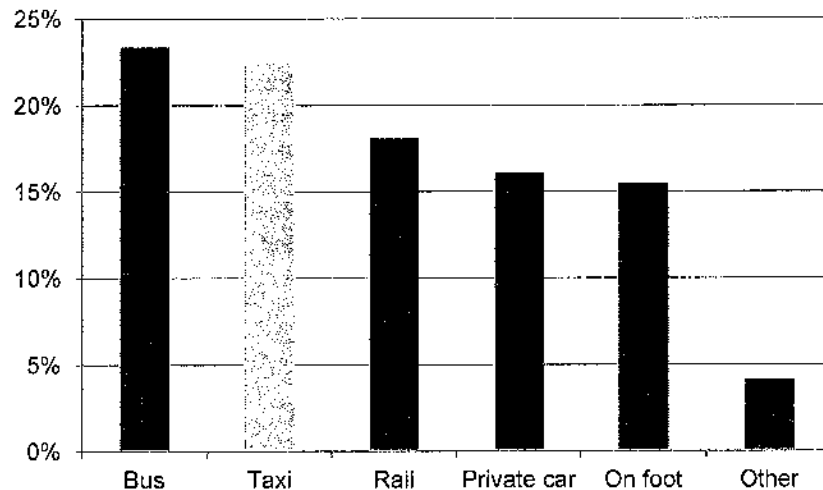
A vibrant night economy, including cultural activities, dining, socialising, and shopping experiences, is a feature of most world class cities. It benefits residents by improving access to events and services, as well as attracting visitors from around Australia and overseas.

The night economy provides a significant contribution to Sydney and the wider NSW economy. The turnover associated with core businesses like food, drink and entertainment venues was \$2.7 billion in 2009, while non-core businesses, including transport, accommodation and shopping generated a further \$12.4 billion of turnover. Together, these account for 28.4% of all jobs in the City of Sydney (City of Sydney 2011).

Transport availability is crucial to support the night economy, and taxis are one of the most frequently used modes of transport home (Chart 2.4). They are particularly important after around 1am, when trains shut down and bus services are reduced.

Taxi services perform an important safety function through the provision of safe and reliable services to people staying out late at night. This leads to lower drink driving, reduced anti-social behaviour and also safe transport for late night workers.

Chart 2.4: Transport mode home from entertainment precincts after hours



Source: City of Sydney, 2011

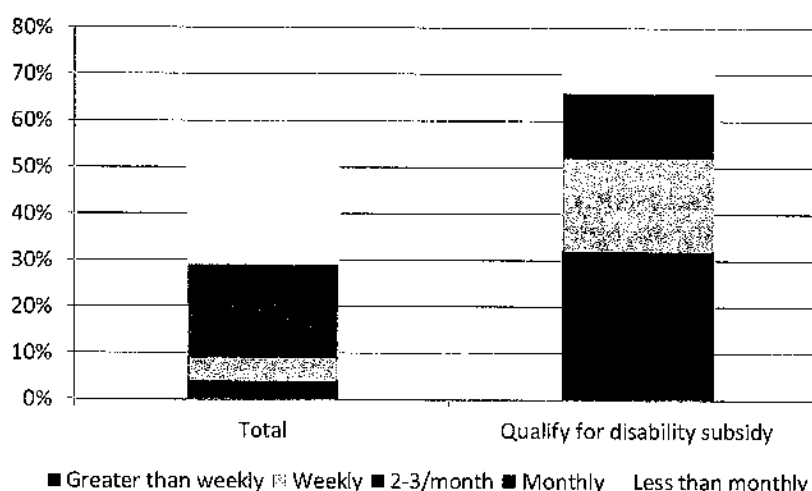
In addition to increasing the access to the night economy, adequate transport is also important for dispersing late night crowds which reduces incidence of violence and the frequency of disturbances for residents.

People with special transport needs

Taxis are an invaluable form of transport for people with special transport needs, including people with disabilities and the elderly. For many people with special transport needs, taxis allow them to participate and contribute to society, including attending work and education, medical appointments and social outings.

The NSW government provides assistance for people who cannot access other forms of public transport through the Taxi Transport Subsidy Scheme (TTSS). The scheme, which began in 1981, allows approved participants to travel by taxi at half fare up to a maximum subsidy of \$30 per trip. Many people rely on this scheme to participate in the community (Chart 2.5).

Chart 2.5: Taxi use by people with a disability



Source: Taverner Research 2012

However, the NSW scheme is less generous than other states: the Victorian government provides a 50% subsidy for a maximum fare of \$120, while the ACT, SA and WA governments provide a subsidy of 75% of the total fare and Tasmania provides a 60% subsidy.

Taxis are also used to transport war veterans and children with disabilities to school:

- The Commonwealth Government provides taxi services to medical services for war veterans, widows and eligible family members through the Department of Veterans Affairs as part of the Repatriation Transport Scheme (RTS), worth around \$151 million per year. The Scheme enables war veterans and widows to travel free of charge.
- The NSW government also uses taxis to transport children with disabilities to schools through the Assisted School Travel Program (ASTP). This service, worth around \$70 million in 2010, provides children with disabilities with a safe, familiar and regular routine throughout the school week. The program provides around 2,300 individual transport services daily through our contracted service providers, free of charge to over 10,500 students across NSW.

2.3 Upstream sectors

A wide range of other upstream industries provide inputs to the NSW taxi industry and help to keep taxis on the road. The following subheadings provide some examples.

2.3.1 Fuel, wash, repairs and maintenance

Downtime is costly for taxi drivers and operators. The need to have cars repaired quickly and back on the road has resulted in specialist repairers that can ensure a minimal number of shifts are lost while major repairs are being carried out, and minor repairs are conducted within hours. One stakeholder likened these service providers to a Formula 1 pit crew –

where tyre changes or brake pads are removed and replaced rapidly, allowing the taxi to get back on the road.

The fitting out of a new taxi to meet regulatory standards, including the installation of taxi meters, duress alarms, radio equipment, and other equipment (including security cameras, EFTPOS machines, roof signs and livery) is typically undertaken within a day, so that only one day shift of income is lost for that taxi license during a change of vehicle.

Of the 14 shifts per week, the typical taxi needs to be on the road for at least 12 of those to break even, highlighting the need for this supporting industry that minimises downtime.

2.3.2 Authorised Taxi Inspection Stations (ATIS)

An Authorised Taxi Inspection Station (ATIS) carries out the 4-monthly taxi inspection for metro area taxis, 6-monthly in rural areas, and annually in more remote areas of NSW.

The inspection covers mechanical roadworthiness of the vehicle, a taxi meter test course, as well as interior passenger comfort and safety. As a result, a separate authorisation from RMS is required for a mechanic to be an ATIS, as it covers a wider range of tasks than a private vehicle inspection.

Some Authorised Taxi Networks also operate an ATIS as an additional service offering. However, most ATIS are third party service providers (such as a mechanic business that holds an authorisation as an ATIS).

There are currently 22 ATIS in the Sydney metro area, 3 in Newcastle/Central Coast and 77 in rural areas of NSW.

2.3.3 Training providers

There are currently four registered training providers (RTOs) that provide training services to drivers and operators at six locations in NSW. The training courses include:

- a provisional one-year (bronze) driver authorisation;
- within the first year of driving, the three-year (silver) driver authorisation;
- Wheelchair Accessible Taxi (WAT) training; and
- taxi operator accreditation.

Authorised taxi networks also conduct internal training on the use of their radio equipment, customer service for specific accounts and safety procedures before issuing drivers with a code to log into their network.

The above examples represent a number of the wide range of down-stream organisations that benefit from the NSW Taxi industry. There numerous other industries that benefit from the industry including the insurance industry, petrol and LPG providers, automotive parts suppliers, advertising agencies, specialist vehicle modifiers (WATs) and many more.

3 The economic contribution of the NSW taxi industry

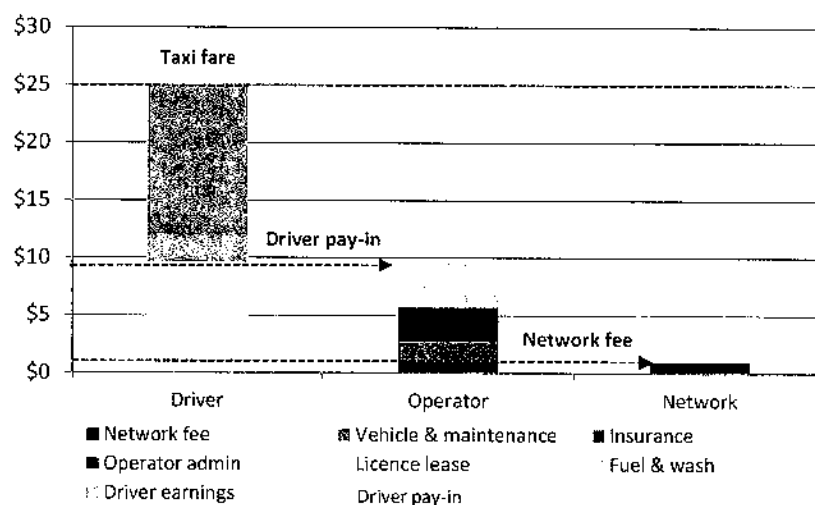
The previous chapter has described the various stakeholders that are involved in the industry to ensure that safe and convenient taxi services are available to businesses and the broader community that rely on these services.

This chapter discusses the economic contribution of the taxi industry to the NSW economy, and maps the distribution of revenues to the various participants within the industry and to the flows through to associated sectors that supply goods and services to the industry.

3.1 The distribution of payments

Figure 3.1 summarises the main payment flows in the taxi industry and the distribution among participants (excluding GST, tolls and non-reported cash tips and cash fares).

Figure 3.1: Where does a typical \$25 taxi fare go? *



Source: Deloitte Access Economics *Excludes GST, card fees and tolls, and cash tips to driver

The chapter sets out the revenue flows and costs incurred by industry participants, before setting out the taxi industry's direct and indirect economic contribution to NSW. In a national accounting framework, the economic contribution is made up of the wages or earnings accruing to labour and the gross operating surplus (GOS). GOS is defined as earnings before interest tax, depreciation and amortisation, or EBITDA.

Section 3.4 outlines the economic contribution when we factor in non-observed cash payments. Similar adjustments are made by the ABS when estimating the National Accounts.

Taxi revenue

There is a great deal of uncertainty around the revenue the average taxi earns, and considerable variation around that average. For example, an experienced driver with a loyal clientele could earn significantly above the average, while an inexperienced driver may take time to develop the techniques that ensure high utilisation and minimal dead running.

The NSW Taxi Council is currently conducting a research project to obtain more reliable data on taxi earning. Until those data are available, we examined various data sources to estimate the revenue that flows to the taxi sector through taxi fares.

In the 2013 draft report on the Review of Taxi fares in NSW, IPART relied on data collected by CIE through surveys, which estimated that annual revenue for a standard urban taxi is \$152,000. Of this, drivers' earnings accounted for \$64,000 and the remainder covered fuel, cleaning and driver pay-in. Each taxi was usually driven around 55-60 hours a week by two drivers, which suggests that each driver receives annual earnings of \$32,000 or \$11 per hour.

The 2011 ABS Census alternatively suggests that taxi drivers earn \$19 per hour. Applying this rate and adding in expenses (eg fuel, pay-ins and wash) results in revenue per standard urban taxi of \$188,000 (excluding non-reported cash fares and cash tips). This is based on average taxi utilisation (time on the road) for standard taxis estimated to be 62% of the year in metro areas and 58% in country areas, and for WATs, 55% and 49% for metro and country areas, respectively.

Finally, the ATO provides guidance around the expected income for a taxi driver, the ATO scenario outlines that an average taxi in Australia generates up to \$185,000 (excluding non-reported cash fares and cash tips).

The estimated revenue using IPART data is considerably below that calculated using the Census, ATO and consultations with authorised taxi networks. In addition, as discussed in the previous chapter, there are two methods that drivers in the Sydney metropolitan area can select to pay operators: Method 1, where drivers and operators split the total takings evenly between them or Method 2, where a fixed pay-in is negotiated. The large majority of drivers in Sydney opt for Method 2, suggesting their income is higher than under Method 1. However if the IPART data is correct, drivers could potentially earn more under Method 1, which seems inconsistent with the anecdotal evidence. Given these inconsistencies, revenue based on the Census data, adjusted for an estimate of cash payments, was viewed to be more reliable, and is used for the remainder of the analysis.

Total revenue accruing to the NSW Taxi industry is divided into metro and non-metro groups. As at 1 January 2013, there were 5,647 taxis working the Sydney region. To construct consistent industry estimates we used licence data from Transport for NSW from around the time the ABS census data was collected (so the per-taxi revenue relates to the

number of taxis operating at the time), which was 5,568 in Sydney, and nearly 7,000 for NSW in total.

Table 3.1 outlines the revenue generated by the NSW taxi industry, by region and by type of taxi. The total revenue generated by the NSW taxi industry is nearly \$1.3 billion, with the metro area taxis (including Newcastle and Wollongong) generating just over \$1 billion. This does not include any revenue generated 'off-the-books'. Further discussion around the potential size of non-reported cash earnings is provided in Section 3.4.

Table 3.1: Total Reported Revenue NSW Taxi (\$2012)

	Metro	Non-metro	Total
Standard taxi (No.)	5,347	801	6,148
Revenue per taxi (\$)	188,110	178,154	
Standard taxi revenue (\$M)	1,006	143	1,149
WAT taxi (No.)	523	240	763
Revenue per taxi (\$)	163,593	158,627	
WAT revenue (\$M)	86	38	124
Total NSW taxi industry revenue (\$M)	1,091	181	1,272

Source: Deloitte Access Economics estimates, based on Transport for NSW taxi licence data and 2011 Census. Metro includes Newcastle and Wollongong.

Drivers

Of the \$1.3 billion in revenue drivers retain just over \$650 million in earnings based on the Census data, with the majority (\$558 million), earned by metro drivers, as outlined in Table 3.2. Card payment fees are estimated based on a 10% service fee, with an approximate distribution of, depending on the terms and conditions card payment provider, 2.5% retained by the driver, 2.5% going to the networks and 5% going to the card payment provider.²

Table 3.2: Total NSW Driver Earnings (\$M 2012)

Driver	Metro	Non-metro	Total
Fare revenue, excl GST, tolls and non-reported cash earnings	1,091.4	180.8	1,272.2
<i>incl. card payment surcharge</i>	20.1	3.3	23.3
Driver Costs			
Fuel	87.0	14.8	101.7
Cleaning	19.0	3.5	22.5
Pay-ins to Operator	412.8	64.8	477.6
Card payment fees (to Network)	5.0	0.8	5.8
Card payment fees to service provider	10.0	1.6	11.7
Net return to driver	557.5	95.3	652.8

Source: Deloitte Access Economics estimates based on ATO, ABS, TfNSW and other data sources

² Estimates of card payment system revenues are based on information provided by networks.

Of course, not all drivers will earn the same, depending on their experience and customer base, hence there would be a distribution around the average driver earnings implied in the in the table above, with some doing better or worse.

In addition to driver earnings, revenue from taxi fares also covers fuel and cleaning costs, and pay-ins to operators³. Estimates of the cost of fuel and cleaning are drawn from the IPART data, which suggests fuel costs of \$102 million and cleaning costs of \$22.5 million per year. For a standard urban taxi this amounts to \$14,615 per year or about \$30 per shift in fuel and \$3,233 per year or \$6.50 per shift for cleaning.

The remaining \$478 million is paid to operators in exchange for use of the taxi. There is no reliable data on the value of pay-ins, but anecdotal evidence suggests that it varies from around \$120 for weekdays up to \$220 for Friday and Saturday night.

Operators

Operators receive their revenue from bailing their cars to drivers, or in country areas as a share of revenue between the bailee driver and the operator, which is used to cover leasing a taxi license and leasing or purchasing the vehicle, insuring and maintaining the car, and paying network fees (Table 3.3). Consultations with networks suggest annual fees are around \$7,500 per urban taxi.

Table 3.3: Operator GOS (\$M 2012)

Operator	Metro	Non-metro	Total
Revenue	412.8	64.8	477.6
Costs			
Network fees	43.5	17.2	60.7
Maintenance costs	44.5	9.0	53.4
Licence lease costs	154.5	13.9	168.3
<i>Incl. licence brokerage where relevant</i>	5.8	0.5	6.3
Insurance	78.3	8.8	87.2
<i>Incl. insurance commission where relevant</i>	5.2	0.6	5.8
Vehicle lease payments	37.4	7.3	44.7
Gross Operating Surplus	54.7	8.6	63.3

Source: Deloitte Access Economics estimates

Networks

It is estimated that networks receive \$79 million per year in revenue, mainly from network fees received from operators, and broking services for insurance and licences. These fees are used to support a call centre, staff to monitor and enforce industry regulations including safety and reliability, technicians to fit-out vehicles, lost property, driver uniform provisions as well as the brokering services if they are offered.

³ As previously outlined above, taxi drivers outside of Sydney operate largely on a commission basis where different arrangements for the distribution of fare revenue and allocation of costs apply

As noted in Section 2, authorised taxi networks also perform a number of other important functions including ensuring compliance with regulatory standards, managing lost property for passengers, supplying uniforms for drivers and advice to drivers/operators regarding infringement and disputes. Several authorised taxi networks also provide additional services, such as training, leasing and brokering for taxi licences, financing, insurance broking, repairs and maintenance. Other key services include:

- marketing and advertising of taxi services, including for major and community based events;
- credit provision to account customers;
- tendering for taxi business;
- taxi docket cashing facilities, including dockets for the NSW Government's TTSS; and,
- taxi docket fraud investigation.

Networks operations are relatively labour intensive, with each network affiliated with a call centre as well as mechanical, technical and administrative staff. Annual labour costs are estimated to account for \$44 million. Gross operating surplus in the sector is a relatively low \$8 million a year, as outlined in Table 3.4.

Table 3.4: Network Gross Operating Surplus (\$M 2012) ⁴

Network	Metro	Non-metro	Total
Revenue	59.5	19.1	78.6
Network fees	43.5	17.2	60.7
Licence brokerage	5.8	0.5	6.3
Insurance commissions	5.2	0.6	5.8
Card payment fees	5.0	0.8	5.8
Costs	53.5	17.2	70.7
Labour	37.2	6.6	43.8
Other costs	16.3	10.6	27.0
Gross operating surplus	5.9	1.9	7.9

Source: Deloitte Access Economics estimates, based on a reconciliation of a range of sources, including ATO, ABS and consultations with networks.

Licence Owners

Licence owners have high retention of revenues, as they have relatively low costs. Of the \$168 million received in revenue, \$162.0 million (96%) is GOS. Costs include those fees paid to networks to manage the use of their taxi licence, see Table 3.5.

⁴ The revenue and costs of taxi networks is based on the monthly and four-weekly network fee arrangements from a number networks. Insurance commission currently estimated based on data for the metro region, assuming the proportion of taxis that procure insurance through the network is 70%, and an assumed margin of 10% on insurance brokering.

Table 3.5: Licence Owner Returns (\$M 2012)

Licence owner	Metro	Non-metro	Total
Revenue	154.5	13.9	168.3
Costs	5.8	0.5	6.3
Gross operating surplus	148.7	13.3	162.0

Source: Deloitte Access Economics estimates

In-car card payment systems

Card payment systems charge a service fee on the metered (GST and toll inclusive) fare. Gross revenues for card payment systems are estimated at \$23 million. That revenue is distributed between drivers, networks and the card payment system operator, depending on agreements struck with the individual card payment systems.⁵ This includes the margin for financial intermediaries that advance payments to the driver before receiving payment of the credit card bill by the passenger.

3.2 The economic contribution of the taxi industry

The discussion above provides an account of the revenue generated by the NSW taxi industry and the linkages between each of the constituent components. The discussion below outlines the economic contribution of the sector, this is provided as the employment and the value added generated by the sector. As outlined above the economic contribution or value added is made up of the income accruing to employees, and GOS.

The value added can be represented both directly and indirectly. The direct contribution of the value added is the income earned by those who work in the sector, such as drivers and operators. The indirect economic contribution is the income earned by those who supply inputs into the sector, this includes in the petroleum retail sector and the finance and insurance industries.

This chapter outlines both the direct and indirect economic contribution.

Direct value added

The NSW taxi industry generates over \$935 million of direct value added. Metro taxis generate just over \$800 million in value added, with non-metro accounting for about \$125 million in direct value added.

Driver earnings account for around 70% of the value added generated within the industry. Licence owners also account for a relatively large share of the value added, at around 17%.

⁵ To measure the operations of in-car card payment systems we used value added multipliers for the Transport Support Services and Storage industry in the ABS's Input Output table

Table 3.6: Direct Value Added (\$M 2012)

Direct Value added	Metro	Non-metro	Total
Revenue	1,091.4	180.8	1,272.2
Driver earnings	557.5	95.3	652.8
Operator GOS	54.7	8.6	63.3
Network			
Wages	37.2	6.6	43.8
GOS	5.9	1.9	7.9
Licence owner	148.7	13.3	162.0
Card payment systems			
Wages	2.0	0.3	2.4
GOS	3.1	0.5	3.6
Total direct value added	809.1	126.6	935.7

Source: Deloitte Access Economics estimates

The direct value added can be separated into the earnings accruing to labour that the industry creates, and the associated GOS, as outlined in Table 3.7. A high proportion of value added, or 75%, goes to driver/labour as earnings or wages, with the majority of that going to drivers⁶.

Table 3.7: Breakdown of Direct Value added (\$M 2012)

Direct Value added	Metro	Non-metro	Total
Total Revenue	1,091.4	180.8	1,272.2
Direct value added	809.1	126.6	935.7
GOS	212.3	24.4	236.7
Earnings/wages	596.8	102.2	699.0
GOS (share)	26%	19%	25%
Earnings/wages (share)	74%	81%	75%

Source: Deloitte Access Economics estimates

Intermediate inputs

As outlined above taxis generate an indirect contribution through the consumption of indirect goods and services from outside the industry. In total the industry generates an estimated \$337 million in revenue in the supply sectors, as outlined in Table 3.8.

Two of the biggest intermediate goods are fuel and insurance together generating over \$180 million in NSW.

⁶ In NSW, taxi drivers operate under the NSW Taxi Industry Contract Determination Agreement, 1984 which establishes taxi drivers as bailees and taxi operators as Bailors. The NSW Taxi Council advised that this agreement sets out the relationship between the two parties and that this does not constitute an employment relationship. Each taxi driver is a business in his or her own right and must therefore establish an ABN. However there are also employees (such as in call centres) that receive wages.

Table 3.8: Intermediate inputs (\$M 2012)

Intermediate inputs	Metro	Non-metro	Total
Driver			
Fuel	87.0	14.8	101.7
Cleaning	19.0	3.5	22.5
Operator			
Maintenance costs	44.5	9.0	53.4
Insurance	73.1	8.3	81.4
Lease payment	37.4	7.3	44.7
Network	16.3	10.6	27.0
Card payment systems	4.9	0.8	5.7
Total	282.3	54.2	336.5

Source: Deloitte Access Economics estimates

Indirect value added

Of the \$337 million in intermediate inputs, indirect value added is estimated at \$212.9 million to the NSW economy. In these supply sectors about \$94 million in wages are paid and \$120 paid to capital owners.

Table 3.9: Indirect Value Added (\$M 2012)

Indirect Value added	Metro	Non-metro	Total
Intermediate inputs	282.3	54.2	336.5
Value added (NSW)	178.7	34.3	212.9
GOS	100.1	19.2	119.3
Wages	78.6	15.1	93.7
GOS (share)	56%	56%	56%
Wages (share)	44%	44%	44%

Source: Deloitte Access Economics estimates

Generally speaking the indirect share of the value added for the taxi industry is relatively small in comparison to other sectors of the economy. This is because the industry is labour intensive (relative to other sectors) with a high share of the revenue generated by the sector being retained by the driver as earnings (as outlined in Table 3.6), and a smaller proportion of revenue being spent on purchases from upstream supplying industries.

Total value added

Table 3.10 outlines the sector contributes about \$1.15 billion in total value added. Of this total value added, \$793 million (69%) is attributed to wages/earnings accruing to labour and \$356 million as returns to capital.

With total revenues of nearly \$1.3 billion per annum (excluding GST), the industry also collects approximately \$130 million in gross GST revenue per annum. However, the net amount of GST remitted would depend on input tax credits from operating expenses. Passengers or parcels using taxis for business purposes would generally also be able to claim the GST relating to those fares as an input tax credit.

Table 3.10: Total Value Added (\$M 2012)

Total Value Added	Metro	Non-metro	Total
Total Revenue	1,091.4	180.8	1,272.2
Value added, NSW (Total)	987.7	160.9	1,148.6
GOS	312.4	43.6	356.0
Wages	675.3	117.3	792.6
GOS (share)	32%	27%	31%
Wages (share)	68%	73%	69%

Source: Deloitte Access Economics estimates

3.3 Employment

The NSW taxi industry directly and indirectly generates over 18,500 full-time equivalent jobs (of which 17,500 FTE are direct jobs within the sector). While there are many different players in the taxi industry, taxi drivers, who are self-employed, account just over 16,900 FTEs or about 90% of direct employment. The majority of the remainder relates to direct and indirect employment provided by authorised networks.

Table 3.11: Full-Time Equivalent jobs from the Taxi Industry

FTE	Metro	Non-metro	Total
Direct	15,293	2,175	17,468
Drivers	14,829	2,093	16,922
Drivers (share of total)	92%	89%	91%
Other	464	82	546
Indirect	892	171	1,064
Total	16,186	2,347	18,532

Source: Deloitte Access Economics estimates

3.4 Non-reported cash payment scenario

The OECD⁷ defines the non-observed economy (ie the economic activity related to non-reported cash payments) as:

As those activities that are productive and legal but are deliberately concealed from the public authorities to avoid payments of taxes or complying with regulations.

There is anecdotal evidence that there are potentially significant non-reported cash earnings in the taxi industry. However, by its very nature, measuring non-reported cash payments is problematic as it escapes the usual reporting mechanisms, like business activity statements and drivers' income tax returns. In addition, given the nature of the cash transactions, it is unlikely the activity will be reported by respondents when answering surveys, such as those conducted by the CIE for IPART.

⁷ The OECD deals with all aspects of the non-observed economy including illegal production and the informal sector that is not relevant to the taxi sector.

The ABS does outline the incidence of the non-observed economy in Australia. The November 2012 publication *Australian System of National Accounts* (cat. no. 5204.0) outlines the size of the ABS definition of the non-observed economy is about \$20.7 billion in value added and about \$700 million in the Transport, Postal and Warehousing industry.

The publication also outlines where the incidence of non-observed production is likely to occur in sectors with small business with high levels of cash transactions. Conversely the non-observed production is less significant in regulated industries and transactions between large businesses.

Given these conditions it is likely non-observed taxi activity is high relative to other parts of the transportation sector. Without specific information on the taxi sector we have modelled a 5% addition to the activity in the sector as a reasonable scenario of the effects of non-observed production.

Output and value added

When non-observed production is factored in, a standard metro taxi has modelled revenue of just over \$197,500 up from \$188,000. Total industry revenue is modelled to increase from \$1.27 billion to \$1.34 billion when non-observed production is included, see Table 3.12.

Table 3.12: Total Revenue NSW Taxi (\$2012)

	Metro	Non-metro	Total
Standard Taxi (No.)	5,347	801	
Revenue per taxi (\$)	188,110	178,154	
Standard Taxi revenue (\$M)	1,006	143	1,149
WAT Taxi (No.)	523	240	
Revenue per taxi (\$)	163,593	158,627	
WAT revenue (\$M)	86	38	124
Revenue (\$M)	1,091	181	1,272
Including non-observed production			
Revenue per taxi (\$)	197,515.8	187,061.3	
Standard Taxi revenue (\$M)	1,056.1	149.8	1,206.0
5% Scenario	171,772.3	166,558.0	
Standard Taxi revenue (\$M)	89.8	40.0	129.8
Revenue (\$M)	1,146.0	189.8	1,335.8

Source: Deloitte Access Economics estimates

Value added is also modelled to increase from \$1.15 billion to just over \$1.2 billion when cash payments are factored in, see Table 3.13. As expected, the gains from non-reported cash payments are retained by the driver, with driver earnings increasing from \$653 million to \$716 million. The direct economic contribution is modelled to increase from \$936 million to just under \$1.0 billion, while the indirect contribution by others remains unchanged.

Table 3.13: Direct Value Added (\$M 2012)

	Central case	Incl. non-observed production
Revenue	1,272.2	1,335.8
Driver earnings	652.8	716.4
Operator GOS	63.3	63.3
Network	-	-
Wages	43.8	43.8
GOS	7.9	7.9
Licence owner	162.0	162.0
Card payment systems	-	-
Wages	2.4	2.4
GOS	3.6	3.6
Direct value added	935.7	999.3
Indirect value added	212.9	212.9
Total value added	1,148.6	1,212.2

Source: Deloitte Access Economics estimates

When non-observed production is included, driver earnings are modelled to increase by about 9% to 10% depending on the region and type of taxi. Standard metro taxi driver earnings are modelled to increase from \$95,900 to \$105,300, see Table 3.14.

Table 3.14: Driver earnings, Central case, non-observed production (\$2012)

	Metro	Non-metro
Central case		
Standard	95,902	94,907
WAT	85,558	80,277
Incl. non-observed production		
Standard	105,307	103,815
WAT	93,738	88,208

Source: Deloitte Access Economics estimates

4 The social contribution of the NSW taxi industry

As discussed in the preceding chapters, taxis provide an important service to a diverse cross section of community. These include users that account for a large proportion of taxi fares – such as businesses, tourists, people with limited mobility, vision impairment and people who are out late at night – as well as those that rely on taxis less frequently as a backup form of transport – including people when it rains, with vehicles being serviced, where there are public transport disruptions, or hospitals for urgent transfers.

4.1 Definition of consumer surplus

The amount paid for a taxi service (ie the fare paid including GST, tolls and tips), by definition, represents a lower bound for the price that users of the service are prepared to pay, otherwise they wouldn't have used the service. Often, however, the benefits to the users, as well as the community and the economy more broadly, extend well beyond the value of the monetary transaction.

For example, less mobile groups in the community, such as elderly and disabled people, are often unable to work or participate in the community without access to taxi services and the value of taxis for these individuals is likely to be substantially greater than the cost of a taxi fare. Likewise, taxis provide important transport services for the night economy when access to other forms of public transport is restricted or unavailable and this benefits individuals as well as businesses and residents who live near entertainment precincts.

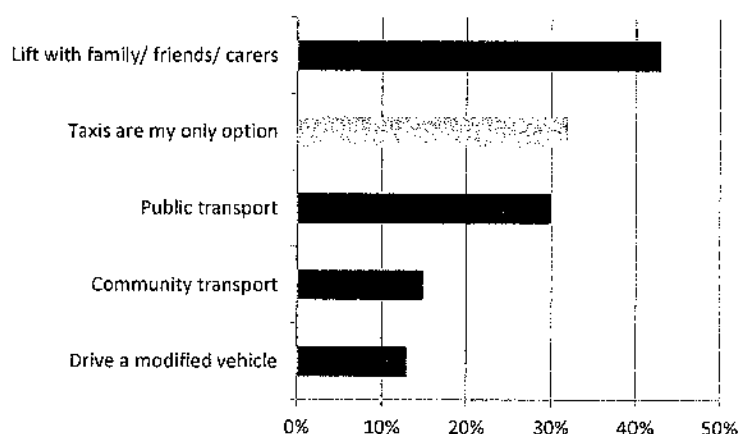
The monetary transactions associated with the taxi industry formed the basis for estimating the contribution of the taxi industry to measured economic activity in Chapter 3. In this chapter, we explore the potential magnitude of the broader benefits over and above what users pay to catch a taxi. This, on its own, is not to say that taxi fares should necessarily change – there are a number of other factors involved in determining optimal taxi fares (based on the operating costs and a reasonable rate of return for the participants in the industry), and any increase would reduce the number of users and reduce the overall benefit provided by the industry – but rather that much of the benefit provided by the taxi industry to the community is not captured in traditional GDP measures.

Although measures of consumer surplus are inherently much more difficult to quantify, they are likely to represent a substantial additional benefit to those that use taxi services and the community more broadly.

Taxi use by people with special needs

Taxis provide a critical service for people with special needs who have difficulty accessing other forms of public and private transport. By providing an easily accessible alternative to public transport with door-to-door service, they often provide people with special needs the ability to commute to work, run errands, and participate in other recreational and social activities that would otherwise be very difficult. Indeed, in a recent survey of 117 TTSS recipients, around a third of respondents stated that taxis were their only transport option (Chart 4.1).

Chart 4.1: Transport options for people with disabilities*



* Respondents were able to select more than one response so the total responses exceed 100%.
Source: Northern Rivers Social Development Council

People with vision impairment, for example, are unable to drive and often unable to commute on foot. Other forms of public transport may not be feasible: it can be difficult to transit between platforms or multiple forms of transport for journeys that involve several segments and it may not be possible to identify the number or destination of an approaching bus or train.

Taxis provide an easily accessible alternative for people with vision impairment. Like all forms of transport, guide dogs are allowed in taxis. In addition, the outside of the passenger door of every taxi in NSW has the registration details in raised letters and numbers to allow visually impaired people to identify the taxi, and Cabcharge is currently developing a 'talking' taxi meter that reads out fare information.

Likewise, WAT taxis are often the only form of transport for people who are restricted to a wheelchair. WAT taxis provide these people with their independence, allowing them to access education and employment, as well as attend to medical needs and participate in recreational and social pursuits. There are a relatively small number of WAT taxi drivers, and users often maintain a routine with a regular driver which allows them to build trust and rapport over time.

4.2 Measuring consumer surplus

Consumer surplus is measured as the difference between what individuals would be willing to pay for a taxi (or any other good or service), and what they actually paid. If consumers would be willing to pay more than the taxi fare, then they are getting more benefit from the service than they spent to buy it.

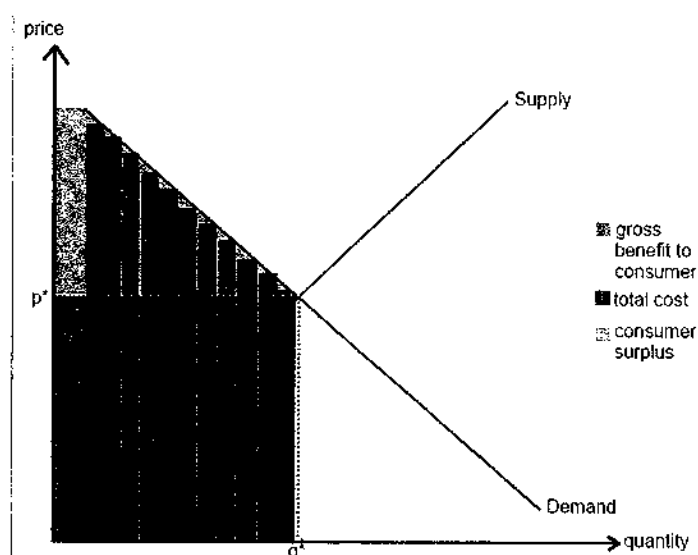
Different segments of the community will have different willingness to pay, depending on the next best available option. Taxi services are likely to have a relatively high consumer surplus, because in many instances, there are no close substitutes. Many people with mobility restrictions or vision impairment, for example, find it is much more difficult to access other transport alternatives. Likewise, someone hailing a taxi in the rain, or with luggage, may have a higher willingness to pay for a taxi than they would during the day when other transport options are available. For business people, the benefits of the ubiquitous door-to-door taxi services are likely to far outweigh the cost.

Figure 4.1 depicts an estimate of the consumer surplus for taxi users on a typical weekday. The demand curve is a stylised representation of the demand for taxi services at various price points. If the taxi fare was higher, a smaller number of people would gain benefits from taxi services over and above the price, and demand for taxis would be lower. However there would still be a small number of people – perhaps those with vehicle being serviced or with restricted mobility – that would still gain benefits over and above the cost. Conversely, if the taxi fare was lower, a larger number of people would gain benefits from taxi services over and above the price and demand would be higher.

Some people will be on the borderline where they are indifferent between catching a taxi at the going rate and using alternative transport (or not going out at all). These people are located at or near the point where the demand intersects the price of using a taxi and they gain only a small or zero amount of surplus from their taxi ride. These are also the cohort of people whose decisions to use a taxi are likely to be affected by incremental changes in the pricing of taxis.

The consumer surplus is the light blue area (triangular if the supply and demand curves are linear) above the set taxi fare and below the demand curve, which represents the maximum willingness to pay for taxi services.

Figure 4.1: Market for taxi services*



* In the taxi industry, supply and demand do not necessarily intersect at the monetary price set by IPART. Waiting times adjust to clear the market.

4.3 Consumer surplus generated by the taxi industry

This section provides an estimate of the value of the consumer surplus provided by the taxi industry in NSW.

The calculations presented represent a lower bound for the value of taxi services. This is because they do not fully capture the value placed on taxis by niche groups, or at times when the next best alternative is much less desirable. Likewise, it does not account for the broader social value enabled by taxi services through, for example, enabling people with restricted mobility to work and pay taxes or reducing the incidence of antisocial behaviour in late night entertainment precincts. Nonetheless, it does demonstrate that taxis make an important contribution to society, over and above the monetary fare paid.

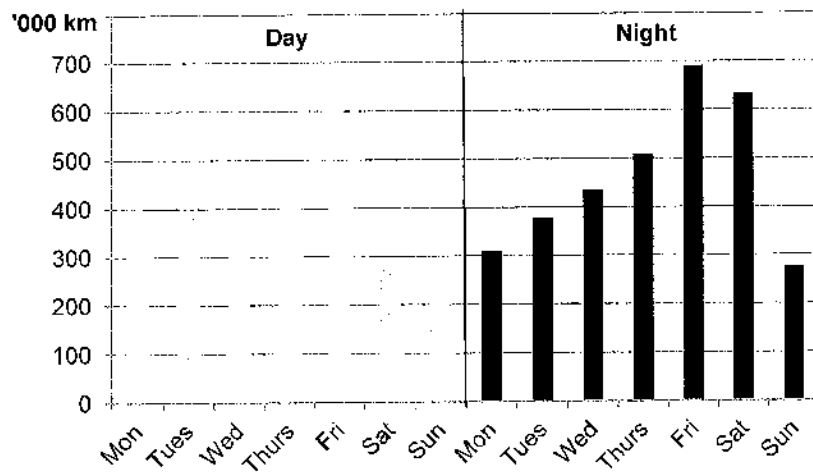
There are several steps involved in the calculation:

- First, the demand for taxi services under the current fare structure for different days of the week and times of the day is determined.
- Second, changes in demand for a given change in price is estimated to trace out demand curves for different days of the week and times of the day.
- Finally, the consumer surplus is calculated as the area under the demand curve, over and above the price paid by consumers.

Estimated current demand for taxis at various times of the day and days of the week is available through IPART. Chart 4.2 shows how the total kilometres travelled by taxis across

NSW differ depending on the time of day and day of the week. Demand for taxis on weekdays is fairly steady, before dropping off during the day on weekends. In contrast, demand for taxis at night increases steadily through the week and peaks on Friday and Saturday night when people tend to participate in the night economy and alternative public transport options are limited.

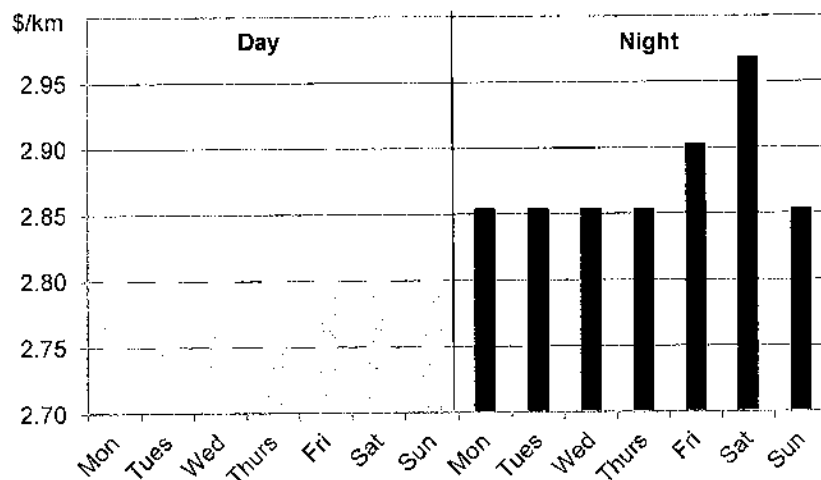
Chart 4.2: Demand for taxis throughout the week



Source: CIE; Deloitte Access Economics estimates

Taxi fares also vary depending on the day of the week (Chart 4.3), with fares increasing in the evening. This reflects both that demand is stronger at night, and drivers generally require higher earnings to compensate them for working in the evenings.

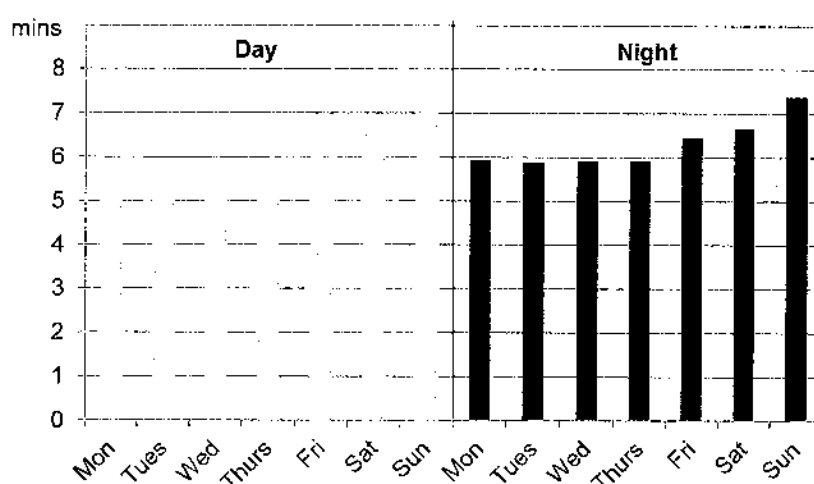
Chart 4.3: Taxi fares throughout the week



Source: CIE; Deloitte Access Economics estimates

Finally, in an economic sense, the average waiting time for taxis is part of the cost of taxis. This is because time is valuable to consumers, and all other things equal, if waiting times for taxis are higher, demand for taxis will be lower. Chart 4.4 shows how waiting times vary throughout the week.

Chart 4.4: Taxi waiting times throughout the week



Source: Transport for NSW; CIE; Deloitte Access Economics estimates

To estimate the cost of waiting times per kilometre, we apply the methodology used by the CIE in their report for IPART. This methodology values a user's waiting time at \$30 per hour, which represents what a user would be willing to pay to eliminate any waiting time. The value of waiting time is likely to vary across users, with business users likely to have a significantly higher value of time reflecting their productivity rate, while tourists and recreational users likely to have a lower value of time. Applying the average distance of a taxi ride of 7km, the extra cost associated with waiting times varies between around 55 cents on weekdays up to 70 cents on Sundays.

Next, to estimate the degree to which demand responds to a change price – either through a variation in fares or waiting times – we again draw on the CIE methodology as a starting point. The CIE estimate that a 1% increase (or decrease) in prices is associated with a 0.8% fall (or rise) in demand. In other words, we apply an elasticity of demand of -0.8.

This value is based on a literature review of other studies of the taxi market, which finds that international studies reported a demand elasticity of -0.2 to -1.0 while the Victorian Taxi Industry Inquiry's draft and final reports apply a price elasticity of demand for taxi services of around -1 for Melbourne.

These data can be used to estimate a demand curve for each day of the week and time of day, which can be used to estimate the consumer surplus generated by taxis throughout the week.

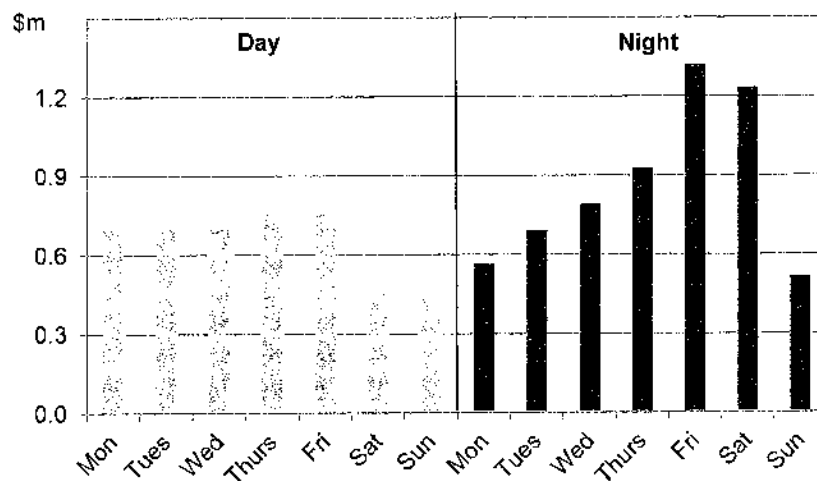
Table 4.1: Consumer surplus generated by the taxi industry

	\$/km	\$m/year
Weekday		
Monday	1.76	36.7
Tuesday	1.77	36.5
Wednesday	1.77	37.6
Thursday	1.77	40.1
Friday	1.75	39.8
Saturday	1.71	26.9
Sunday	1.67	23.8
Weeknight		
Monday	1.75	29.4
Tuesday	1.75	36.0
Wednesday	1.75	41.2
Thursday	1.75	48.3
Friday	1.83	68.6
Saturday	1.87	64.2
Sunday	1.79	26.8
Total		555.7

Source: CIE; Deloitte Access Economics estimates

Table 4.1 and Chart 4.5 show that consumer surplus, above and beyond the cost of a taxi fare, generated by the taxi industry is estimated to be around \$0.7 million per day on weekdays, rising to \$1.3 million on Friday nights. Over the year, the industry is estimated to generate \$556 million in additional consumer surplus benefits in NSW.

Chart 4.5: Consumer surplus generated by the taxi industry throughout the week



Source: Transport for NSW; CIE; Deloitte Access Economics estimates

Appendix A

The appendix outlines how the economic contribution may change when using the modelling assumptions as outlined in the Centre for International Economics study *Reweighting of the Taxi Cost Index* report.

Data provided in this report suggests a standard Sydney taxi generates \$152,000 in revenue each year. The supporting analysis indicated that taxi driver earned \$11 per hour. In light of more recent data from the 2011 Census the DAE estimates above are based on average earnings for metro drivers of about \$18 per hour and just over \$19 for non-metro, see Table A.1.

Table A.1: NSW Driver's Hourly Earnings, 2011 Census (\$2012)

ABS -- Wage Data	Metro	Non-Metro
Earnings per hour	\$18.20	\$19.05

Source: ABS Census, Deloitte Access Economics estimates

The NSW Taxi Council guidelines were used to divide the NSW Local Government Areas into metro and non-metro regions. Census data from 2011 was accessed to measure the total weekly hours and the total weekly earnings for those working in the 'Taxi and Other Road Transport' industry for both regions. This allowed average hourly earnings to be calculated for both regions. It is important to note that the ABS Census data only takes into account a person's primary job, so this data doesn't consider those who drive a taxi as a secondary income.

The increase in earnings has increased the modelled revenue per taxi to \$188,110 for a metro taxi, see Table A.2. As outlined elsewhere in the report this is in-line with revenue per taxi from the ATO and information provided by a major network in Sydney.

Table A.2: Revenue, per taxi NSW, 2012 (\$)

Region	Unadjusted Inputs	DAE	Difference (%)
Metro Standard	152,556	188,110	23.3
Metro WAT	136,102	163,593	20.2
Country Standard	143,056	178,154	24.5
Country WAT	121,926	158,627	30.1

Source: CIE, Deloitte Access Economics estimates

More detail on the Standard Urban taxi

Table A.3 outlines the impact to revenue and net return to drivers based on the two modelling scenarios. The CIE modelling provides fares revenue of \$152,500 with the DAE modelling inputs accounts for \$188,000 per standard metro taxi, a 24% increase.

Net returns to drivers are almost 60% higher under the DAE modelling inputs, with earnings increasing from \$60,350 to \$95,900.

Table A.3: Revenue and driver earnings, standard urban taxi NSW, 2012

Driver	Unadjusted Inputs (\$)	DAE (\$)
Fares Revenue (excluding GST and tolls)	152,556.0	188,110.2
<i>Incl. card payment systems</i>	<i>3,450.0</i>	<i>3,450.0</i>
Driver Costs		
Fuel	14,615.0	14,615.0
Cleaning	3,233.0	3,233.0
Net revenue (Pay ins to Operator)	71,772.0	71,773.0
Card payment commissions (to Network)	862.5	862.5
Card payment commissions	1,725.0	1,725.0
Net return to driver	60,348.5	95,901.7

Source: CIE, Deloitte Access Economics estimates

Total economic contribution

As outlined in Chapter 3 using DAE modelling inputs the total NSW Taxi industry revenue is almost \$1.3 billion, 24% higher when compared to the unadjusted scenario.

The modelled increase in driver earnings has two consequences on the economic contribution story. Firstly the total contribution to the NSW economy of the sector increased from about \$900 million to almost \$1.15 billion. Direct value added increases from just below \$700 million to \$935 million.

In addition, driver earnings as a share of the sector's direct value added increases from about 60% to 70%.

Table A.4: NSW Taxi Industry, In-direct economic contribution, 2012

Value added	Unadjusted Inputs (M\$)	DAE (M\$)
Revenue	1,030.7	1,272.2
Direct value added	694.3	935.7
GOS	236.7	236.7
Wages/earnings	457.6	699.0
<i>Driver earnings</i>	<i>411.4</i>	<i>652.8</i>
Indirect value added	212.9	212.9
GOS	119.3	119.3
Wages	93.7	93.7
Total	907.2	1,148.6
GOS	356.0	356.0
Wages	551.2	792.6

Source: Deloitte Access Economics estimates

Employment under both scenarios is the same and as outlined in the body of the report. This is the case because the increased envelope of activity is driven through higher driver earnings.

Appendix B: Economic contribution studies

Economic contribution studies are intended to quantify measures such as value added, exports, imports and employment associated with a given industry or firm, in a historical reference year. The economic contribution is a measure of the value of production by a firm or industry.

Value added

Value added is the most appropriate measure of an industry's/company's economic contribution to gross domestic product (GDP) at the national level, or gross state product (GSP) at the state level.

The value added of each industry in the production chain can be totalled without the risk of double counting across industries.

Other measures, such as total revenue or total exports, may be easier to estimate than value added but they 'double count'. That is, they overstate the contribution of a company to economic activity because they include, for example, the value added by external firms supplying inputs or the value added by other industries.

Measuring the economic contribution

There are several commonly used measures of economic activity, each of which describes a different aspect of an industry's economic contribution:

- **Value added** measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value added measure can be thought of as the increased contribution to welfare.

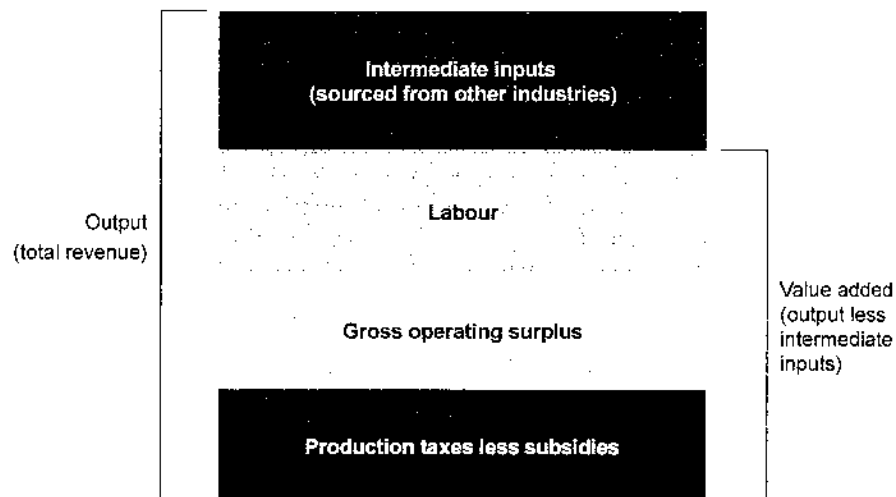
Value added is the sum of:

- **Gross operating surplus (GOS).** GOS represents the value of income generated by the entity's direct capital inputs, generally measured as the earnings before interest, tax, depreciation and amortisation (EBITDA).
- **Tax on production less subsidy provided for production.** This generally includes company taxes and taxes on employment. Note: given the returns to capital before tax (EBITDA) are calculated, company tax is not included or this would double count that tax.
- **Labour income** is a subcomponent of value added. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.
- **Gross output** measures the total value of the goods and services supplied by the entity. This is a broader measure than value added because it is an addition to the value added generated by the entity. It also includes the value of intermediate inputs used by the entity that flow from value added generated by other entities.

- **Employment** is a fundamentally different measure of activity to those above. It measures the number of workers that are employed or self-employed by the industry or entity, rather than the value of the workers' output. Employment generated is measured in full-time equivalent jobs.

Figure B.1 shows the accounting framework used to evaluate economic activity, along with the components that make up gross output. Gross output is the sum of value added and the value of intermediate inputs. Value added can be calculated directly by summing the payments to the primary factors of production, labour (i.e. salaries) and capital (i.e. gross operating surplus, 'GOS', or EBITDA), as well as production taxes less subsidies. The value of intermediate inputs can also be calculated directly by summing up expenses related to non-primary factor inputs.

Figure B.1: Economic activity accounting framework



Direct and indirect contributions

The **direct** economic contribution is a representation of the value added within the taxi sector. The **indirect** contribution is a measure of the value added from goods and services produced in other sectors as a result of taxi activities. Estimation of the indirect economic contribution is undertaken in an input-output (IO) framework using Australian Bureau of Statistics input-output tables which report the inputs and outputs of specific sectors of the economy (ABS 2012).

The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Limitations of economic contribution studies

While describing the geographic origin of production inputs may be a guide to a firm's linkages with the local economy, it should be recognised that these are the type of normal industry linkages that characterise all economic activities.

Unless there is significant unused capacity in the economy (such as unemployed labour), there is only a weak relationship between a firm's economic contribution as measured by value added (or other static aggregates) and the welfare or living standard of the community. Indeed, the use of labour and capital by demand created from the industry comes at an opportunity cost as it may reduce the amount of resources available to spend on other economic activities.

This is not to say that the economic contribution, including employment, is not important. As stated by the Productivity Commission (1999) in the context of Australia's gambling industries:

Value added, trade and job creation arguments need to be considered in the context of the economy as a whole ... income from trade uses real resources, which could have been employed to generate benefits elsewhere. These arguments do not mean that jobs, trade and activity are unimportant in an economy. To the contrary they are critical to people's well-being. However, any particular industry's contribution to these benefits is much smaller than might at first be thought, because substitute industries could produce similar, though not equal gains.

In a fundamental sense, economic contribution studies are simply historical accounting exercises. No 'what-if', or counterfactual inferences – such as 'what would happen to living standards if the firm disappeared?' – should be drawn from them.

The analysis – as discussed in the report – relies on a national input-output table modelling framework and there are some limitations to this modelling framework. The analysis assumes that goods and services provided to the sector is produced by factors of production that are located completely within the state or region defined and that income flows do not leak to other states.

The IO framework and the derivation of the multipliers also assume that the relevant economic activity takes place within an unconstrained environment. That is, an increase in economic activity in one area of the economy does not increase prices and subsequently crowd out economic activity in another area of the economy. As a result, the modelled total and indirect contribution can be regarded as an upper-bound estimate of the contribution made by the supply of intermediate inputs.

Similarly, the IO framework does not account for further flow-on benefits as captured in a more dynamic modelling environment like a computable general equilibrium model.

Input-output analysis

Input-output tables are required to account for the intermediate flows between sectors. These tables measure the direct economic activity of every sector in the economy at the national level. Importantly, these tables allow intermediate inputs to be further broken down by source. These detailed intermediate flows can be used to derive the total change in economic activity associated with a given direct change in activity for a given sector.

A widely used measure of the spill-over of activity from one sector to another is captured by the ratio of the total to direct change in economic activity. The resulting estimate is typically referred to as 'the multiplier'. A multiplier greater than one implies some indirect activity, with higher multipliers indicating relatively larger indirect and total activity flowing from a given level of direct activity.

The input-output matrix used for Australia is derived from the Australian Bureau of Statistics Input-Output Tables 2008-09. The industry classification used for input-output tables is based on ANZSIC, with 109 sectors in the modelling framework.

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Case No. 1

When and how much was the plate purchased for?

We purchased our plate for \$510,000 in October 2010. After 12 years of trying to buy one license we finally purchased our one and only license one year before the inquiry was released. Talk about bad timing.

How was the purchase financed?

We used the equity in our home as security to finance the purchase.

Has the plate been used to secure other assets?

No

What impact has the changes had to the financial position of the family?

We are an extreme financial hardship case with our Bank as they have informed us that we are now approx \$200,000 over exposed with our loan (unsecured) due to the reduced plate value and they have requested we pay about \$3000 more per month to quickly address this. We have met with them and advised we are unable to pay the amount. The Bank is now referring us to their Financial Services team which deals with hardship cases. It has been 7 weeks and we are still waiting for them to contact us.

If they cannot create a payment plan that we can afford we will have to sell our plate for whatever price we can get. Last I heard the price is about \$280,000, if there is a buyer. As this will not cover our loan the only other asset we have is our home. We will have to sell it to cover the rest of the loan.

Our hard work for the last 20 years will be wiped out. We will end up walking away with nothing.

This has had an enormous negative effect on the quality of our lives. Living with the anxiety, worry and stress for the last couple of years has taken a toll on our wellbeing.

To add to the stress, the Bank is expecting us to pay the extra \$3000 on top of our regular payments. This is only 2 weeks away and we just don't know where we will get this money from.

Tuesday 29th October events –

Bank contacted [REDACTED] and told her that they would need to call the loan in. [REDACTED] contacted TSC. Please see the note below with respect to this aspect of contact with the TSC –

TSC UNWILLING TO HELP FAMILIES IN HARDSHIP SITUATIONS ON THE BRINK

I am greatly disappointed in the TSC.

I called senior members of the TSC yesterday, requesting some assistance. I left a message and awaited a return phone call to discuss the issues. I am yet to hear from anyone.

I needed some assistance regarding a hardship case. I advised that a member of the Victorian Taxi Families Association was extremely distressed. She was distressed because the bank, she borrowed from to purchase a taxi license, only three years earlier, was demanding a change to the terms of her contract. The bank was refusing to extend her interest only period, even though they had promised that it could be extended for 5 years.

I stressed to the TSC, that this was a young family, that was at their wits end in dealing with the bank. In the past, senior members of the TSC had advised that they would be happy to intervene and assist in dealing with the banks.

This incidence has made it blatantly obvious that the TSC doesn't care. The government and TSC are only concerned about rolling out the reforms that are destroying families. They have not provided any assistance in managing the human cost of these reforms.

I am not able to effectively express how disturbed I am with the inhumane attitude shown yesterday by senior TSC staff. The least they could have done, was to return my call. Not even common courtesy was provided.

Case No. 2

When and how much was the plate purchased for?

I purchased my taxi license plate in August 2010 for \$505,000.

How was the purchase financed?

40% was secured against the equity in my home. The remaining 60% was secured against the taxi license itself. When repayments became difficult I refinanced the unsecured portion against the equity in my Mum's home.

Has the plate been used to secure other assets?

The license has not been used to secure other assets as the Bank will not accept this.

What impact has the changes had to the financial position of the family?

I sold my house recently. I wanted to buy a house inner city so that we would be closer to work. After selling my house when the market was at rock bottom, I applied for a home loan. The bank took 6 months to tell me that they could not approve my request. In the meantime the market has bounced back. I have been further penalised. The bank advised that they need the taxi license to be secured against property or paid off in full. They would not allow the loan to be secured against the license itself. I placed the sale of my home against my investment property (which had the full \$520,000). I had to secure this against the license. This means that I cannot get any tax concession against my property; as this was the reason for me purchasing an investment property. Instead I will be paying tax. I can't purchase a new home. I am stuck in every way. Even if I were to sell my investment property to pay off my taxi license I would still fall short by \$100,000.

I now own a license that is virtually worthless. I am incredibly depressed. I spend a majority of my time fighting these reforms. I should be spending this time, raising well adjusted children (I have two young sons who need their mother's care and attention). The neglect I am showing my children will impact them greatly. I feel I have no choice. My marriage has suffered. I am not able to give my husband the time I used to. Everything in my life is dismal.

I have had to take sick leave from work due to the anxiety and depression. My career has therefore suffered too. I am seeing my GP and psychologist. I don't seem to be coping very well.

Case No. 3

[REDACTED]

When and how much was the plate purchased for?

Own 2 license plates --

- Purchased in 2010 for \$505,000
- Second purchased in 2011 for \$500,000
- my home loan \$610 000

How was the purchase financed?

I have a home loan secured against my home of \$610,000 and paid \$500,000 for this through my superannuation.

Has the plate been used to secure other assets?

No as the Bank would not use this as security since the Inquiry started.

What impact has the changes had to the financial position of the family?

Like everyone in this situation, if the unlimited licenses are released and PBOs are on the road, they will take from the taxi drivers who are struggling as it is. Currently there is only 28% occupancy so this is hard enough.

If this proceeds, I will find that I will be unable to lease out my license and will be unable to service my loan therefore the \$610K that I owe will be called up by the Bank.

I have recently had to start driving one of the cars as I struggled to find a driver.

Case No. 4

[REDACTED]

When and how much was the plate purchased for?

The plate was purchased 4 years ago for \$480K. We own 2/3 of the plate and my parents own the other third.

How was the purchase financed?

We redrew the full amount from our home loan offset account, which had been paid in full at the time- \$320K. ie We used the equity in our home as security.

Has the plate been used to secure other assets?

I haven't tried to borrow against the plate itself.

What impact has the changes had to the financial position of the family?

We had plans to move to a larger home to accommodate our growing family, but now can no longer afford to this, as the value of the plate is not being recognized by the bank. We have to pay the loan back before our current home is free, -if we sell, we will be short at least \$300K to buy an equivalent property. So we are stuck.

Importantly, I have serious concerns about our ability to service this loan after July, as the investment will go from being positively geared, to very negatively geared with the decrease in rental income. While we are both working now, any change in our circumstances will probably break us. We still owe \$280K

Not sure if this is something you can work with, but let me reiterate that my husband will not go public with this info. **This has caused untold strain on our family life and 15 year marriage. For the first time in my life, I am suffering from insomnia and nervous stress, and have lost 5 kg since June as a result.**

Case No. 5

[REDACTED]

When and how much was the plate purchased for?

I purchased my first licence in around 1996 for approximately \$280K. I then purchased the other 2 licenses in around 2008 for \$425K each

How was the purchase financed?

Initially all three were financed through CBA. 60% was secured against the Licenses and 40% against my family home. In 2012 I had to refinance via Westpac with the Bank using 100% of the \$780K loan against my family home as they would no longer use the Licenses as security.

Has the plate been used to secure other assets?

No as the Bank no longer recognise Taxi Licenses as security.

What impact has the changes had to the financial position of the family?

Firstly I am a single mother and had worked 2 jobs in order to be able to obtain the loans for these Taxi Licenses. I missed out on my son growing up and my daughter as I had to go from one job to another to better my financial circumstances.

Should these reforms proceed with no amendments to remove the unlimited licenses and the PBOs, I will be in a position where I will be unable to lease out my licenses therefore I will be faced

with having to service a loan of \$780K which I will not be able to. This will then result in me having to sell my home.

My daughter and son-in-law are expecting their first baby and I was hoping to sell my home and move close to them however I am unable to do this. The minute I sell my home I have to pay out the full \$780K to the Bank before I can even think about buying another home and that is if anything is left. Therefore unfortunately this is totally ruining my life and my family.

I will be financially ruined.

Purchasing these licenses was purely for my superannuation and retirement and now I have to kiss that all goodbye. Not fair.

Case No. 6

We purchased one licence 16 years ago for \$293K and one 15 years ago for \$287K

We then purchased 4 licenses from the Government 10 year Scheme.

We currently have a loan with the Bank of \$1M which means that if no amendments are made, we have lost EVERYTHING and will still owe the Bank.

I am a licence holder and my husband operates a small taxi depot. We have been involved with taxi industry for 20 years. We arrived here 20 years ago on skilled migration visa- my husband as a qualified mining engineer and myself as a solicitor (in Russian jurisdiction). We came here escaping Eltsin's regime, hoping for a better future in Australia. As my husband's attempts proved futile to find a job in his field he started driving a taxi. Later he borrowed money from the bank and set up his own business.

Few years ago when we purchased taxi plate we were planning to sell it when our children start high school so that they can attend good private school in order to get decent education and have a prosperous future.

My children are now 6 and 9 years old.

With one stroke of pen their future has been taken away from them. 20 years of our lives have also been valued as worthless.

Introduction of PBO's will lead to substantial loss of income for our drivers, subsequently drivers will be leaving taxi industry, thousands of jobs will be destroyed.

We as operators won't be able to run the business and will be forced into bankruptcy.

As a taxi licence holder and operator we will be financially ruined if PBO's are introduced. .

Now with the changes to the taxi industry we have no asset, have huge loan at the bank and our house mortgaged against it.

In my entire life I have never been to a rally. In the last 2 months I had to be there twice with my children in the tow.

I didn't want to be there , but I had to be there, because what this government is doing to us is cruel, undemocratic, immoral and should not be tolerated.

We shall continue fight for our families, for our children and for our future.

Case No. 7

How many plates do you own (1 licence)

My widowed mother, [REDACTED] migrated from [REDACTED] to this great democratic country of ours, Australia, the land of many opportunities in the early seventies with practically a suitcase of belongings on a mission to get married, work hard, sacrifice, save money and raise a family to provide a better life, with many opportunities for their children, which my mum and father, due to family poverty, missed out on.

In her quest, she married my now deceased father in a family proxy arrangement. My father, [REDACTED], much the same as my mother migrated to Australia with minimal belongings and together, with the same mindset and values embarked on a journey to strive to succeed in life to get ahead.

My father worked many factory jobs, before landing a job as a postman, where he served in excess of 30+ years, only to be retrenched in the early 1990s.

My mother worked as a machinist/linker in factories over 30+ years, tirelessly in a monotonous and mentally mundane industry, many hours of overtime, weekend work and would always put her hand up for extra days/hours were there was extra available work.

Together my parents sacrificed everything including valuable family time in their working, leading very modest lifestyles with minimal luxuries, scrutinizing and budgeting where their money was spent to save as much as possible. My parents never ate out, holidayed or were into fashion and consumables. They have never owned cars and can honestly say in 30+ years of life in Australia; they only went back overseas to visit family 2-3 times in 40 years of life away from family and loved ones.

When and how much was the plate purchased for.

When my father was retrenched, he invested his retrenchment money into a home as an investment, but due to the maintenance and upkeep of a home in the suburbs, both my parents being non-drivers and age catching up with them, decided to purchase a taxi license in as a secure, government endorsed product to provide for their self-funded retirement in 2001 for \$300,000.

My parents were not risk takers, were extremely careful with their money, they have never owned shares or high risk investments and invested in good faith in the taxi industry, full well having

the confidence in the government, that their asset would be secure and would not contemplate in their wildest dreams that their asset would be destroyed and made worthless on many levels of unfairness.

The cruel and flawed transport act, the government keeps on referring to, was never explained and my parents would never have invested or who would for that matter, if the government, could make such harsh unfair changes rendering your asset worthless over time and drastically reducing its worth and growth potential instantly overnight. I feel they were duped into investing their money and supporting a government endorsed product and were exploited in the end!!!

How was the purchase financed.

At the time of selling their hard earned investment, my parents borrowed a fair portion as the sale of the property was not adequate to fund the acquisition of their taxi license in 2001. This asset helped my parents set-up their nest egg as my dad found it too difficult to re-enter the workforce and chose to retire, my mother continued to work in the textile industry but due to the dwindling and now extinct textile industry, she also fell into voluntary retirement.

Ever since my parents acquired their taxi license, it has been leased via Silver Top to the same driver for over 12 years now. We have always sought the mid-range price of the leasing capacity of the plate. We understood were aware that the taxi industry is a very tough one and we wanted the lessee to be able to make money for his family. We were extremely happy with the lessee who always paid, even if he was a bit late or forgot on a few of occasions and were in regular discussions with his family.

Has the plate been used to secure other assets.

No, other than to secure my family, especially my sister's well-being and financial security in the future, due to the inability to work.

What impact has the changes had to the financial position of the family.

Unfortunately in the year 2006, my father at the age of 62 passed away of lung cancer. It broke my heart listening to my father that he should have enjoyed life more thoroughly as he was a spiritual person, who enjoyed adventures, enjoying nature and humanity but sacrificed everything for his family, which I will be forever grateful and remember proudly.

My parents, who had an amazing work ethic, instilled values in us that education comes first and that no matter what, hard work will ultimately pay off no matter your circumstances. Writing this very part of the story is making my eyes tear and heart ache!!

My mother was left a widow at the age of 52 and was left home alone to care for my sister, as I left the family home, to pursue my new lease of life with my fiancé at the time.

The taxi lease continued to fund my mother's minimalistic, self-funded retirement and modest lifestyle. To the family's shock and horror my mother was diagnosed with stage 3 bowel cancer in October 2012. The taxi lease funds my mother's out of pocket medical costs to pay additional

hospital charges, medicine's (which includes anti-depressants) doctors, psychologists and psychiatrists has further eroded mum's finances.

Mums prognosis is positive but her life is still on the line and the journey has been a long hard battle and she is feeling the worse for wear both mentally and psychologically after radiotherapy, chemotherapy, 2 bouts of major surgery, one to place a stoma and the second to remove portion of the bowel, followed by more chemotherapy.

The reforms have put immense stress, pressure and financial uncertainty affecting my mother's battle to recover and I feel that the unfair reforms have had an impact on her focus to fully recover from this terrible disease. The government have shamelessly shown uncompassionate and heartless stance and in fact turned a blind eye towards the suffering of my family, who already have tough challenges in front of them.

My mother is also a carer to my sister, The Taxi License and lease aids my mum's responsibility in meeting my sister's living expenses, well-being and to secure my sister's future. It is questionable, whether my sister will have the ability to work in future and as we all know, we can't rely on Government services to cater for the unfortunate and disadvantaged that continue to slash funds from these support services, such as the Good Shepherd for example.

My 'parents strived to do their best, to secure their own family as best they could - only to have this destroyed right in front of their very eyes; leaving my family stressed, vulnerable and worried about how they will look after themselves, especially my sister, in future, when my widowed mum is no longer around and I am praying she gets a good 10 years+ to get more worth out of her life and assist in my family's crisis.

My family and deceased father had a lot of respect and admiration for Professor Fels for going public and using his profile to go public with his story and support services and create community awareness for the mentally challenged and we continue to sympathise with his unfortunate family position. What about my family that does not have the same wealth, public profile or contacts as Professor Fels to persevere through this tough family position??? My family's acquired super to aid and secure my family's future in this unfortunate circumstance has been destroyed forever!!! I want to meet Professor Fels to discuss, why we are treated with such contempt? Where did my family go wrong? Why does he not have the same compassion for my family, as my family did his, particularly in view of the fact that my family is from a less privileged background? My family suffers and feels pain too!!! This is called hardship and the efforts and sacrifices made by migrants to acquire their assets needs to be recognised.

What I can't understand is that, why doesn't Professor Fels have the same compassion and stop to think, that there may be families who rely on their licences to secure their families' economic futures – families who are in a similar position as his. What about the mental distress, suffering and anxiety of all the affected?

We are not against fair reforms and should not be held responsible for the government regulator's failings who created the rules. If the devised model does not suit and we are not listened to for mediation, please provide an exit strategy and the TSC can start again.

It has been mixed emotions for me, with the joyful arrival of my baby daughter, Victoria who is 7 months of age. The unfair and draconian Taxi reforms legislated by the State Liberal Government has placed further strain, stress and financial uncertainty on my mother's wellbeing and it cannot afford to endure any more suffering.

My mother keeps on asking me about her hard earned investment and I try to quell her fears by saying leave it to me, everything will be ok, to try and get her not to worry but it is to no avail and can see the worried look in her face and I know the writing is on the wall!!!!

This has come at a time, when I should be spending valuable and quality time supporting my mother and sister with my much loved baby daughter. These are moments in life, that you cannot put a monetary value on and are priceless, yet the government reforms are robbing my sanity and rights to enjoy these precious moments in life.

I can't express in words the amount of stress, financial strain and uncertainty that this whole saga has placed on my family. I just feel that no one cares in Government and my family and I have lost complete trust and faith in Australian Politics and the non-existent Democratic process.

I can't believe the uncompassionate, unsympathetic, immoral and unethical stance of the State Liberal Government, pushing reforms in a communistic manner and totally ignoring the principles of Democracy to push a political agenda. My poor father would be turning in his grave. People are losing loved ones and families are being torn apart, whilst this government displays no duty of care or performs any due diligence. I do not want to face the same predicament. My family is already in a very difficult and vulnerable place!!!

My mother being an elderly migrant with basic verbal English skills would not know, who to see or how to lodge a submission to the abysmal Taxi Inquiry, which she is deeply concerned and can't understand, why the very Democratic Government, she served together with her deceased husband, has chosen to deliberately intervene in a free market rendering her hard earned asset she paid duties and taxes on worthless and now stands very dismal future without any compensation. My mum and my family feel exploited and used and abused!!

My family has never been to a rally (only myself, as mum recovering and waiting for surgery and supporting my sister) or seen an MP for any matters and in fact my family has persevered and endured through the failings of the State which I have experienced first hand.

Some recent examples, include my mother admission to category one emergency surgery, waiting for 12 hours with no food or water only to be turned away at 10pm at night and waiting for an ambulance for over an 1hr, calling 3 times to attend to my mum who was suffering severe, chronic stomach pain which was a result of a twisted bowel potentially being life threatening. My mother, lives 30secs to one min away from the Alfred Hospital, and the ambulance was coming from Caulfield.

The Paramedics, Doctors, Nurses and Medical Staff are magnificent and deserve every penny they earn. My family is forever grateful and has so much respect for their services, support and compassion provided by these medical professional, but are let down by the system. My mum's unawareness, of bowel cancer screening and symptoms as informed by Doctor's at the hospital was

due to the Government's failure to educate the public, as the costs to treat was deemed to be astronomical. This attitude has recently changed as the costs have been immense treating than preventing.

I have seen my poor father battle through lung cancer, chemotherapy and radiotherapy treatments and now going through the same stress and worry seeing and feeling my mother go through the same.

I have a responsibility to look after her, perform house duties and most importantly keep her spirits high and support her dwindling mental state, but fighting these reforms has placed a lot of stress, anger, anxiety hatred and frustration on my young family, my mother, sister and I can't take anymore. I have lost countless hours writing hundreds of emails and lost sleep through worrying for my family's future and anger at being ignored.

How can a liberal government MP can hold their high proud, go back to their family and sleep, full well their flawed policies are killing and tearing families apart. When will the justice prevail? This is eroding a human right, in a first world country, that proudly call itself multicultural and once upon a time "lucky". It is not trivial or controversial. How would Liberal Government MPs feel if their superannuation and assets were seized and put back into the state to prop up their failed policies and inadequacies of the state? This is far more legitimate, than blaming family license holders for customer dissatisfaction and short fair refusal as MP Mulder quoted for the government's failures, remembering it is Government that creates the laws. Does this justify destroying license holders?

I personally can't sit back and watch such injustice and unfairness evolve right in front of my very eyes and have decided to fight these unfair reforms that directly target and effect my family. It targets people like my mother a sick elderly migrants, who should be resting, enjoying life and putting her efforts in overcoming cancer. Can someone please help us!

To rub further insult into our wounds, we have been labeled as wealthy, greedy investors by our very own Government and officials that publicly offered no apology, a remark that is totally misleading and given my mother's background, I would deem her to be working class.

My mother will be forced to take a considerable pay cut eroding further her quality of life with her ongoing out of pocket medical expenses and her living costs as well as supporting my sister. This we can accept to a degree and even if our license depreciated, taking a hit for some future potential would be fine, but what is of more concern is the potential stalling of the Taxi License growth and leasing potential. There is also a strong possibility that the license may remain idle, with the flooding of the market and introduction of unfair competitively advantaged PBOs. The problem, my mum is facing now, is that there isn't a market to sell the license at a reasonable cost.

A vast amount of endless emails have been sent to various MPs. Many with minimal response, if any at all, have been ignored from the onset, from over a year right up to this very day. I have sent emails to MP Mulder, Premier Napthine, MP Kellie O'Dwyer and the TSC. To date, no one in Government has offered their full-pledged support, mediation or to highlight to the Party, other than to deflect responsibility elsewhere. We have pleaded, urged and cried for help, all but falling on deaf hears.

My local MP [REDACTED], who voted for the reforms, will not respond, let alone help my family sell this once valued asset and provides much like everyone else misleading and conflicting information in the messed up industry we wish to exit as it has become totally unworkable and unfair with the local and responsible Government MPs and the TSC.

MP [REDACTED], forwarded an email requesting the non-existent minuted evidence to MP Mulder, but of course he hasn't even had the decency to return an email to a Federal MP Party colleague's request and email follow-ups have been ignored with generic auto-reply's promising feedback to no avail.

I have even taken the time to email [REDACTED] to intervene in this issue of protecting small business/families and human rights. This does not conform to the Liberal Party's policies and ethics of supporting small and large business and must be pulled in line. A follow-up email has resulted in another generic response.

This is my family's story. I am hoping and praying that someone with the power, that can see the injustice and unfairness, will stand up to this regime and order the justice my family ultimately deserves, let alone the respect our elderly deserve. Please restore Australian Democracy and fair governance for all citizens!!!

At the moment, I am sorry and sad to say, this government has severely let my family down and my mother is questioning what was the value of all that hard and sacrifice, only to see your very own authoritarian self-righteous government there to serve you, rip it from under your feet, all for political gain??? Someone please help my family, we are crying, pleading and urging for help!!! I am deeply saddened, that we have to even fight such an injustice in Australia, that the government exploits every inch of the law, ignoring the social and human impacts!!!

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Case No. 8

[REDACTED]

We purchased our licence in 1994 so that my husband could be self-employed and eventually the licence would form the basis of his superannuation. We sold a property in order to purchase that licence and also obtained finance to complete the purchase.

The property was sold for \$57,000 and that house today would be worth \$900,000 or so!!!! (A far cry from the value of our taxi licence today).

My husband is now 65 years old and still driving our cab, but has recently been diagnosed with cancer. He is due to have major surgery and a very long recuperation period following that. In order to eliminate stress from his life, I cannot see that he will be returning to work.

Where does that leave us?

Due to our working so hard for so long and sacrificing so much, we will not be eligible for a pension.

The Government has now taken away any likelihood of our licence realizing anywhere near the value pre-reform, so, in effect, my husband's superannuation has gone down the tube.

If we were to assign our licence, we will not be earning anywhere enough to live on, so we are now stuck between a rock and a hard place.

What do I do and what do I tell my husband?? We tried to do the right thing to be self-employed and self-funded retirees and not sponge off the "system". Big mistake that was.