

INQUIRY INTO NSW TAXI INDUSTRY

Organisation: NSW Taxi Council Ltd
Name: Mr Peter Ramshaw
Position: Chief Executive Officer
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Supplementary Submission
to the
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Inquiry into the NSW Taxi Industry

NSW Taxi Council

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Table of Contents

Introduction1

Representation.....1

Deregulation & Related Matters.....1

Competition2

NSW Taxi Council5

Universal Wheelchair Accessible Taxi-Cab.....6

Driver Turnover6

Conclusion7

Introduction

This supplementary submission is made in response to some of the witness statements and submissions made to the inquiry. We would refer readers to our original submission for more detail regarding many of the issues discussed here.

The inquiry has been presented with a very broad range of issues and opinions in 60 written submissions and three days of hearings.

The Taxi Council is not able to provide full appraisals of other submissions or statements from witnesses in this supplementary submission but would be happy to respond to questions the Committee might have about any specific matters raised in other submissions or during the hearings.

This supplementary submission attempts to respond to some of the broader issues raised on the basis of some examples of statements or claims made to the Committee.

In preparing its report, we urge the Committee to seek independent verification wherever possible before relying on information it has been given.

Representation

For various reasons pertaining to the nature of the taxi industry itself, claims made by various parties regarding representation are problematic. The NSW Taxi Council recommends the Committee treat with caution claims from self-appointed representatives who have potentially conflicting personal commercial interests and/or who have previously failed to obtain or retain elected positions in representative organisations.

Deregulation & Related Matters

It seems clear that some witnesses hold the view that deregulation of the taxi industry in NSW would be a good thing. In considering this issue, it is our view that the Committee needs to think carefully about whether the taxi industry should remain part of the public transport system or not.

Views espoused by some taxi drivers, Dr Abelson and others indicate their preference for a deregulated and therefore market-driven approach that would eliminate the taxi industry's ability to meet current public policy obligations. A market-based approach, where drivers could charge whatever passengers are willing to pay, would result in taxi services being provided to those who can afford to pay most. There would no longer be an obligation on the industry to provide service to passengers who would not agree to pay what a taxi driver demanded. Deregulation in other jurisdictions around the world has inevitably lead to higher taxi fares, lower driver earnings and lower productivity. Evidence in the form of overseas experience is included in reports by Prof. Des Nicholls provided with our original submission.

It is our very strong view that such a system would be disastrous for many members of the public in New South Wales who are reliant on taxi services and who are not in a position to negotiate or pay for higher fares.

Furthermore, in arguing for deregulation Dr Abelson's submission seems to ignore the fact there already exists a deregulated (unlimited numbers and low entry cost) private hire car industry in NSW that provides a free-market option for any consumers who choose to use Hire Cars for booked services. Substantial growth in this industry in recent years places the taxi industry under greater competition.

It seems Dr Abelson's apparently poor understanding of the taxi industry in Sydney leads him to make the following recommendation regarding reforms to achieve, strangely enough, an accurate description of the current regulation:

"Critically, taxi operators would be able to establish their own businesses and purchase communication services from any accredited service. They would also be allowed to use the EFTPOS system of their own choice."

There is currently nothing stopping taxi operators establishing their own business, purchasing communication services from any accredited service (authorised network) or using an EFTPOS system of their own choice.

The NSW Parliament considered the merits of taxi industry deregulation during debate on the Passenger Transport Act Amendment (Taxi-cab licensing) Bill 2009. The NSW Taxi Council provided information to members of parliament at that time and has reiterated some key points in its submission. As an advisor to the NSW Treasury, it would seem Dr Abelson had ample opportunity to have his arguments considered at that time.

It is not proposed that these matters be repeated in this supplementary submission.

Competition

Despite having apparently strong opinions, many witnesses appeared unable to directly answer questions pertaining to those opinions due to a lack of knowledge about the taxi industry. In particular, issues relating to degree of competition, control, cartel behaviour and other similar matters. We would not criticise a witness for their ignorance, but the NSW Taxi Council finds it difficult to understand why some witnesses who have expressed such great concern about these matters have not sought information to help them understand the issues they are so concerned about.

The Tourism and Transport Forum (TTF) has not contacted the NSW Taxi Council seeking information about the industry. It has presented no evidence to sustain allegations regarding the mainstream industry's efforts to "destroy" Macquarie Bank's business in the taxi industry. It seems Macquarie Bank was poorly advised. History shows that Macquarie Bank's franchise business model was flawed and simply unviable. In simple terms, and based on statements by a witness representing Lime Taxis, it seems the belief that there was sufficient demand from customers who travel in wheelchairs to attract drivers to a large new fleet of WATs was unfounded. Lime taxis' witness indicated the network itself paid drivers directly to do the work. Lime Taxis (established by Macquarie Bank) still exists as an authorised taxi network and is a member of the NSW Taxi Council. It is not clear how TTF witnesses think Macquarie Bank was prevented competing with other taxi networks.

A number of witnesses were keen supporters of competition yet seem unable to accept the fact that not all business models are competitive.

It is not clear why Cabcharge's 10% service fee on EFTPOS has been singled out for attention when to the best of our knowledge all other providers of EFTPOS equipment in taxis in Sydney charge passengers at least this amount. This includes the system introduced by Macquarie Bank.

Dr Abelson initially offered to present a revised draft of his paper (attached to his submission) to the NSW Taxi Council to allow us to review the paper, point out any errors of fact and to assist make his paper as accurate as possible. After initially making an appointment to meet, Dr Abelson telephoned to advise he would no longer be able to talk to the NSW Taxi Council to discuss these matters and seek our input. No reason was given for the sudden change of heart. It is difficult to understand why an academic who might otherwise be expected to objectively seek to fully inform himself chose to exclude the most important source of information about the subject matter. It is also difficult to understand, for example, why he has cited a United Kingdom taxi industry deregulation policy from 2003 in support of his views, but failed completely to acknowledge the same authority's own independent analysis completed in 2007 regarding the impact of that very policy. This analysis, which was cited in our original submission (Conducted by Europe Economics, and enclosed with this submission), found there was no evidence to suggest the policy delivered any net benefit as it imposed costs on the taxi industry (particularly taxi drivers) that outweighed the benefits to consumers.

Despite the fact that Europe Economics along with other studies have found that taxi driver incomes decline in a deregulated environment and taxi fares increase, Dr Abelson continues to assert his beliefs (without supporting evidence) that driver incomes would increase under deregulation, and taxi fares would fall. Studies undertaken by Prof. Des Nicholls of ANU that were provided with our original submission go into some depth about the reasons why economic models like that used by Dr Abelson fail to accurately predict outcomes when applied to the taxi industry. There is a great depth of empirical evidence, indicating that the theory used by Dr Abelson has little practical application to the taxi industry.

The NSW Taxi Council believes there are many interpretation errors, or errors of fact included in Dr Abelson's submission. The first example appears on the first page "*..possibly as many as one in five on IPART statistics, who book taxis are not picked up.*" In fact, IPART's discussion of this topic in its report of the 2009 Review of taxi fares in NSW explains the figures cited by Dr Abelson and does not provide any support for such an inference to be drawn. Further information about this issue is provided in the NSW Taxi Council response to questions on notice. On page two of his submission, Dr Abelson makes claims that the regulations prevent networks from competing and that operators are not allowed to solicit work independently. Neither of these assertions is true. Authorised taxi networks compete, on price and service to attract taxi operators (why wouldn't they if network fee income is apparently so lucrative?), and taxi operator/drivers are free to seek work independently. Indeed the Committee has been supplied with evidence from other witnesses that this is quite common, particularly among WAT drivers.

There are numerous other errors of fact and unsupported opinions in Dr Abelson's submission, including for example, denial of the advertising and marketing undertaken by taxi networks. If Dr Abelson had sought information about the way taxi networks market their services to passengers we

could have easily provided him with details. It is clearly a fact that taxi vehicles themselves are highly visible moving advertisements for taxi networks displaying 'brand names' and booking telephone numbers in very bold lettering. It seems that Dr Abelson has not sought information and is clearly unaware that taxi networks in Sydney also run constant radio advertising campaigns, and actively market their taxi services to major customers. Dr Abelson nevertheless asserts that there "*appears to be little competitive advertising or marketing*".

There are too many similar issues in Dr Abelson's submission to address in this short supplementary submission. We would urge the Committee to treat all the assertions with great caution and seek verification prior to relying on any particular conclusion.

TTF witnesses claimed to be strong advocates of greater competition in the taxi industry, and cited other capital cities and the Gold Coast as better examples, when in fact each of these places has either only one or two taxi networks. TTF fails to explain why things are "*done better in other places*" when there are demonstrably fewer taxi networks and less competition in these places than in Sydney. In New South Wales, entry is open to any company that is willing to meet the regulatory requirements that apply equally to all, and two new independent taxi networks have started-up in Sydney during the last five years. If networks were uncompetitive in Sydney (and able to 'overcharge' for services) then new networks could presumably take easy market-share by simply offering better deals to operators and licence owners. There is clearly no evidence to support claims of anti-competitive behaviour.

According to the TTF, Victoria is travelling better. Presumably this is not because of greater competition as there are only two taxi networks in Melbourne. Furthermore, contrary to statements made to the Inquiry, much of Victoria's new regulatory regime is based on the system in NSW. For example, network and operator accreditation have only recently been introduced in Victoria. Likewise, the "upgraded training" in Victoria is based on their adoption of the NSW Taxi Council's training programs. Interestingly a TTF witness espoused the Queensland model which is in fact only just starting to catch-up to what has been happening in NSW for many years with training and English language testing for drivers and the like.

The NSW Taxi Council's own 2009 survey of approximately 100 taxi customers in NSW indicated that 93% of customers were satisfied with the service they received. This is contrary to the conclusions drawn by the Tourism Transport Forum (TTF).

It has become clear that a number of witnesses who espouse the benefits of competition seem to have a poor understanding of what competition means. A number of witnesses seem to have the view that competition means that all parties should end up with equal shares of the market. In truth, competition is about survival of those that best meet the needs of their customers and this means that the best competitors grow and the worst fail. The following example is offered to help illustrate the weakness of the logic in the arguments involved.

The vast majority of taxis in Sydney are Ford Falcons because many individual taxi operators choose this vehicle as the most practical and economical. If the same conclusions drawn by various witnesses were applied to observations of the motor vehicle market they would presumably conclude that Ford Motor Corporation controls the taxi market or has a "*virtual monopoly*". However, the observed market share does not mean that Ford exerts control, nor does it mean that

Ford dealers are not subject to competition. The same argument applies to taxi networks. Licence owners and operators are still free to choose the model of car they buy and the taxi network they deal with.

NSW Taxi Council

Several witnesses made claims that the NSW Taxi Council is the voice of Cabcharge. If this were the case, and if decisions of the Council did not represent the views of other members, it is not clear how these witnesses explain the actions of co-operatives including St George Cabs, RSL Cabs, Legion Cabs, Wollongong Radio Cabs, and previously ABC Cabs, South Western Cabs and Newcastle Taxis, as well as companies running Premier Cabs, Central Coast Taxis and Lime Taxis in joining and remaining members of the organisation. Similar issues arise in relation to the Directors of the Country Taxi Operators Association and NSW Taxi Industry Association. Any person with any experience in representative organisations is aware of the need to accommodate all members' interests if the organisation is to remain sustainable. The NSW Taxi Council was founded in 1951, its longevity and success is only based upon its ability to represent its members' interests effectively. The organisation would have fallen apart years ago if this were not the case.

Some witnesses claimed that the NSW Taxi Council is working against the interests of taxi drivers or expressed similar views. In our opinion, the views espoused by these witnesses are not shared by the majority of taxi drivers. These witnesses have not attempted to explain why the NSW Taxi Council spends an enormous number of hours and money developing and maintaining training materials and standards for taxi drivers all subsidised by our members, the hundreds of hours spent dealing with local Councils as well as venue and event organisers to improve access for taxi drivers to taxi ranks and legal places to pick-up and drop-off passengers. Nor the liaison with agencies like the RTA, NSW Transport & Infrastructure and Police in dealing with road rules, regulations and policing issues that affect taxi drivers. The NSW Taxi Council spends many tens of thousands of dollars each year on publications issued free to taxi drivers to keep them informed of issues affecting their business.

Contrary to opinions questioning the NSW Taxi Council's motivation in relation to driver training, the NSW Taxi Council subsidises the cost of taxi driver training in NSW. The costs associated with the development and maintenance of taxi driver training materials, monitoring of RTO training standards and delivery of WATs courses are not recovered by fees. The NSW Taxi Council gains no net financial benefit from its involvement in training for taxi drivers, our interest is based on the need to maintain quality for the industry and safety for taxi drivers.

A taxi operator's evidence that the NSW Taxi Council and Taxi Industry Association "*do not meet or provide information*" is simply untrue. Our members are sent bi-monthly editions of the Taxi Journal as well as METER magazine produced by the NSW Taxi Council (recent editions attached). They are asked to nominate and vote in annual elections (conducted by an accounting firm) of directors of the Association and invited to attend the Association Annual General Meeting. During October and December 2009 letters were sent to all members from the President of the Association relating to the governments' taxi industry reform package. As members of the Committee are aware, the Association and Taxi Council were very active in preventing what would ultimately have led to unlimited numbers of taxis becoming available. All members were kept advised of these issues, and

as a result many contacted members of parliament directly. It is difficult to reconcile these facts with certain statements made to the Inquiry.

Some witnesses apparently have the view that the NSW Taxi Council has extraordinary powers to influence various government agencies including IPART and the Industrial Relations Commission and probably other agencies. The source of this alleged power is very mysterious, and in the minds of some witnesses is clearly not linked to the Council's ability to make fair and accurate representations and present rational and well-reasoned argument. It seems highly insulting to these organisations for such accusations to be made.

Universal Wheelchair Accessible Taxi-Cab

The inquiry has sought and been given various opinions on the value of all taxis being wheelchair accessible.

It might be assumed that more WATS equals better service but the equation is not as simple as that. Consideration must also be given to the impact this would have on quality of service provided to people who use wheelchairs.

WAT drivers must undertake two days additional training to learn how to provide a high level of service with a high degree of safety for WAT passengers. The NSW Taxi Council firmly believes that unless a driver utilises the skills learnt during training on a reasonably regular basis the benefits of the learning will be lost. If every taxi was a WAT, then it would be very rare for any individual driver to ever come across a WAT passenger and it seems the risk of the driver having forgotten what to do or that rarely-used restraint devices have been lost, damaged or missing will be much greater.

Furthermore, providing a high level of service to people in wheelchairs requires a certain type of personality and other attributes. Not all taxi drivers are well-suited to the role and we believe it would not be possible to maintain as high a standard of service if all taxis were wheelchair accessible. There are advantages in having this specialised work performed by drivers who choose to do and enjoy this work.

Wheelchair accessible taxis are necessarily larger and inevitably less fuel efficient than other taxis so there are likely to be adverse environment impacts.

These factors, including the additional \$200 million up-front costs, plus higher ongoing costs of operating WATS every year, needs to be carefully weighed-up against the very limited scope for improvement in response times which are already very good for booked WATs.

Driver Turnover

A popular myth surrounding the taxi industry relates to claims made by some witnesses about large numbers of new taxi drivers leaving the industry.

The NSW Taxi Council has obtained data from NSW Transport & Infrastructure to present some facts about this issue.

In Sydney, in 2008 only 9% of new taxi drivers failed to renew their taxi driving authority after the first year. For those that commenced in 2005 a total of 31% had not renewed their authority after

their first four years. The latest figures therefore seem to indicate that about 70% of taxi drivers stay in the industry for at least 5 years. About 60% of taxi drivers who started in 2002 still retain their taxi driver authority and are into their eighth year.

We do not have available retention rates for other comparable entry-level careers, such as apprenticeships or people who start out in hospitality and catering jobs, but it is unlikely that the taxi industry is faring much worse than comparable occupations.

Conclusion

The volume of material presented to the inquiry makes it extremely difficult to respond in detail to every individual issue raised or item of information presented that we believe is incorrect. We are aware of various recommendations made by other organisations to implement schemes that already exist, or to improve training from organisations that have no information or first-hand knowledge about what training exists. The NSW Taxi Council has a long history of consulting with interest-groups, seeking out and welcoming any constructive advice regarding industry training from credible organisations.

Inevitably, many issues affecting the taxi industry are both unique and complex. It is easy to make superficial statements that might sound plausible in support of a particular view or belief. However, such superficial claims can mask the true nature of things which often require a lot of explanation to be fully understood.

The NSW Taxi Council would be grateful for the opportunity to respond to any statements or claims relating to any other issues the Committee considers important, or where further information is required as the inquiry progresses.

In considering its own recommendations, we urge the committee to bear in mind the fact that taxi services are supplied on the back of private investment and the returns for labour provided by a very large number of individual businesses involved in operating and driving taxis. Viability of the industry is therefore a key factor in determining whether any particular services can be provided and in determining the quality of the services that can be offered to the public.