

Submission  
No 19

## INQUIRY INTO NSW TAXI INDUSTRY

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**TAXIS**  
HIRE CARS & COACHES  
*"Fare's Fair"*

18 January, 10

The Hon John Ajaka MLC  
Committee Chair  
Select Committee on the NSW Taxi Industry  
NSW Legislative Council  
Parliament House  
Macquarie St  
Sydney 2000

Dear the Hon John Ajaka MLC

**Regarding: Inquiry into the NSW Taxi Industry**

Thank you for the invitation to make a submission to this inquiry & by way of background I owned & operated Australia's largest Toyota dealerships from 1970 to 1988 & at their peak I was employing over 200 people.

My attitude to the provision of good customer service is borne out by the fact that the dealerships at Sutherland & Rockdale still carry my name. It is rare indeed for the principal's name to be retained on any dealership following its sale.

During my ownership of the automotive dealerships I served as President of The Motor Traders Association & was a member of the then NSW Governments Motor Dealer Committee in 1988 & 1989.

Following a period of early retirement my wife & I sold our family home & purchase in 1999 a badly run down taxi business which serviced the Southern Highlands of NSW. The business consisted of 18 taxis but with a poor image, badly presented & maintained vehicles & the wrong attitude to customer service.

In the last ten years my wife & I together with our team have changed the culture & with professional management developed the business into one of the best taxi operations in the country.

With 21 taxis, 2 Hire Cars & 2 midi coaches we have provided an excellent service to the people of the Southern Highlands & notably out of in excess of 1.5 million jobs in those ten years there has only ever been one complaint to the NSW Ministry of Transport or NSW Transport & Infrastructure as it is now known.

We operate our own service & repair workshop in Mittagong, we employ ten permanents with five casual coach drivers & approximately fifty taxi drivers who work under our Bailment Agreement.

Hopefully, the above provides some insight into our business together with supplying credentials for myself.

We have attempted to address your terms of reference as follows:

***(a)The adequacy of Government reporting standards & regulation of the industry & the impact of this on the provision of quality taxi services for commuters, including for people using wheelchairs.***

There appears to be adequacy in government reporting standards & regulation of the industry however there does not appear to be adequate enforcement of those regulations. This applies to both metropolitan & country.

While generally we believe the standard of drivers & the presentation of taxis is good, when visiting Sydney & using a taxi, particularly at night, we have experienced on occasions drivers whom we are sure are not the ones shown in the photograph on the Taxi Driver Authority. To add to this, the driver has very poor English & a total lack of knowledge of Sydney.

We believe that Taxi Driver Authorities in some instances are rented or loaned to look-alikes & in particular to those from Middle Eastern backgrounds. Should these drivers turn out to be bona-fide drivers then the metropolitan Taxi Training Schools are clearly not doing their job! If

the drivers in question are not authorised then they possibly do not have an Australian drivers licence.

To rectify this problem there should be more Compliance Officers available to inspect both the taxis & the driver. The Taxi Driver Authority card might also be changed to incorporate photographs of both full face & profile. A "finger print" or some other form of identification could be included.

In country NSW there appears to be a far higher level of customer service practiced by the drivers & the various operators. The English language is not a problem & there is little doubt that the driver is the one shown in the photograph on the Taxi Driver Authority. The standard of taxis also appears to be higher than in the Sydney metropolitan area & this is possibly the result of the fact that the owner (or management) is dealing with a lesser number of vehicles & drivers, which enables the enforcement of policies.

With the greatly reduced cost for the leasing of Hire Car licences there has been over the past couple of years a significant uptake with those licences. Later in this document we will deal with the matter more fully however the simple fact is that low cost investments are not treasured by the owner in the same way a higher cost investment is. Accordingly rules are broken with a carefree attitude & a desire to make a quick "buck".

Three years ago a rogue driver who once worked for us commenced carrying fare paying passengers in privately registered vehicles. This was illegal. After two to three months he was granted a Hire Car licence & has continued to breach every regulation. Despite over forty eight letters from us & over fifteen Statutory Declarations from members of the public & our drivers, which were forwarded to the then Ministry of Transport, he continues to undermine our business by operating as a "de facto taxi service". The cars are filthy & often drivers are seen in shorts & thongs. Regulations &/or inability to enforce them need to be addressed to prevent this occurring both in the Southern Highlands & in NSW.

Not only has the public been at risk with this operator but by allowing his business to grow while breaking the law he has been given an extremely low cost start up which now marginalises our business.

Lack of enforcement sends the wrong message to those who are complying with regulations.

It should be noted that we have met with senior officers within the Compliance section of the NSW Transport & Infrastructure & have found them professional & showing a willingness to assist but for some obscure reason their hands appear to be tied. Recently I met with the Director General, Mr Les Wielinga & his Deputy Mr John Karaboulis who gave us a hearing & hopefully this matter will soon be resolved.

***(b)The provision of government subsidies to the industry & the allocation & subsequent trading of free "Nexus" plates, including the impact on public revenue.***

To our knowledge the only form of subsidy given to the taxi industry over the last ten years is that of free (in country NSW) WAT licenses & interest free loans for the purchase of WAT vehicles for genuine wheelchair carrying operations. This has obviously been a great strategy to increase the number of WAT vehicles operating in NSW.

Free "Nexus" plates (or licenses) were well before our time & we cannot comment on the reason for their issue.

***(c)The effect of limits on the supply of unrestricted taxi licences in NSW, particularly as it impacts on customer service.***

We believe that the taxi industry has sought for some years a plan whereby additional licences could be made available while at the same time protecting the value of existing licences. Better taxi usage in Sydney & its suburbs may well alleviate the need for extra licences.

It is important however that the value of existing licences be protected as in thousands of cases this is the family asset. Additionally, it is human nature to protect ones assets & the more valuable they are the more one will comply with regulations & work hard to protect them.

Simply, if an owner/driver has no investment in his vehicle including the cost of his licence then he has nothing to lose by breaking rules or regulations. The standard of driver also deteriorates along with the decline in earnings.

Testimony, is the shocking standard of cars & drivers experienced in NZ following an attempt at deregulation some five years ago & other attempts in other countries including the UK, all of which have been a disaster for the public. Sexual assaults of female passengers by deregulated drivers were common in the UK.

There has been a suggestion by the media, during recent months, that the majority of taxis in Sydney & elsewhere were owned by a small number of people. This is incorrect as pointed out but the NSW Taxi Council as in Sydney metropolitan approximately 84% of all licences are owned by individuals with just one licence each.

It should however be considered that where multiple licences are owned by one person or one corporation then due to the size of the investment it is professionally managed ensuring greater availability of taxis & improved customer service.

As mentioned earlier, in recent years there has been a significant reduction in the lease cost of Hire Car licences in NSW & also a change in vehicle types all of which has led in many instances to a change in the Hire Car industry from that which was accepted as an "up market" chauffeur Hire Car service to a low cost "de facto taxi service" with what should be seen as unacceptable standards for the public & these include cleanliness of both cars & drivers.

It should also be noted that vehicle types for Hire Car usage have also been expanded to include amongst others, small buses with up to 14 seats. In the past a small bus had to be operated as a Bus or Tourist Vehicle & had to comply with the standards which protected the passengers including tachometers, six monthly inspections & a driver with a bus driver authority (log books required etc) Under a Hire Car licence such a vehicle may be operated as a car without any of the requirements applicable to a Bus or Tourist Vehicle. Is this in the best interests of the public & the industry?

It would appear that the abovementioned changes were as a result of a lobby from the Hire Car industry & it is doubtful if the taxi industry was ever consulted.

Additionally, the Hire Car operator pays significantly less in operating costs to that of a taxi. Compulsory Third Party Insurance is just 15% of the cost of the same insurance for a taxi. Taxis must have six monthly inspections & Hire Cars the normal 12 month inspections. Taxis must be replaced at a maximum of 8.5 years in country NSW (less in metro) while Hire Cars have no age limit. Hire Cars do not require security cameras while taxis do. It is far from a level playing field & in certain areas Hire Cars are operating as taxis but at reduced fares & are seriously affecting the viability of taxi operations. Due to the very low initial investment they have little to lose & therefore they break the rules, which is not in the public's best interests. (An older model Falcon can be purchased at minimal cost & registered as a Hire Car).

To provide a high level of customer service taxis must be profitable & in this way they will be kept on the road. Should earnings be marginalised due to additional licences then taxis will only operate during "good" shifts & be unavailable during off peak times. The standard of car & driver will also deteriorate creating a decline in safety & service standards.

Due to the unfair competition currently experienced by us from a local Hire Car business & the drop in earnings our drivers are dropping shifts which is not in the best interest of the public or us.

***(d) Anti-competitive activities in the industry & the Government's compliance with National Competition Council rulings.***

The thought of deregulation "raises its head" from time to time as it did recently & experience from other markets around the world have proven that deregulation leads almost immediately to a serious drop in service standards & driver behaviour.

This is one industry which must be controlled & regulated. It is just too easy for an individual, in an uncontrolled environment, to use the family car for carrying passengers for hire or reward. The more there are on the road then the less will be earned by each driver/vehicle resulting in a dramatic drop in service & safety standards.

Third world countries operate under deregulated passenger transport markets. Other leading countries have tried & have quickly returned to regulation.

***(e) The performance of the wheelchair-accessible taxi fleet, with special regard to Federal disability discrimination laws & their compliance with the 2002 Disability Standards for Accessible Public Transport.***

Regarding wheelchair accessible taxis (WAT), we have no doubt that in recent years there has been an immense improvement across NSW with availability. The excellent interest free scheme for the purchase of WAT vehicles, administered by the NSW Transport & Infrastructure, has made it easier for the acquisition of these high cost vehicles by taxi operators.

The free WAT licences in country NSW & the extremely low cost licences in the metropolitan district have also encouraged additional WAT vehicles to the fleets.

***(f) The effectiveness of the Wheelchair Accessible Transport Taxi Driver Incentive scheme in providing better services for people in wheelchairs.***

The driver incentive of \$8.47 for each wheelchair passenger carried has made the driving of WAT vehicles more profitable for those drivers & it has also encouraged additional drivers to obtain their WAT Taxi Driver Authority. This is a good incentive.

We have over the past ten years built our WAT fleet from one to five vehicles (almost 25% of our fleet) however we are now reappraising our position as WAT work generally has decreased particularly over the last twelve months.

The reason for the decrease is the growth of Community Transport & the advent of a large number of WAT vehicles acquired by small organisations around the district with grants obtained from government at various levels. The basic consideration of providing these organisations with free funds for the purchase of vehicles is admirable however unless the vehicle covers a reasonable distance each year then the operating costs & the cost of money far exceeds the cost of using a



taxi WAT vehicle (see attachment 1). This is an area of massive expense to government & should be investigated.

***(g) The Governments response to the recommendations of a range of reviews into the taxi & hire car industry over the last decade.***

It would appear that many of these reviews have been carried out by academics with little or no input from the taxi & hire car industry. It also appears that recommendations were put forward which were in conflict with the industry who were not consulted in the first place & accordingly those recommendations were not pursued.

A strong & viable industry which provides the many factors required by both Government & the community requires strong consultation & discussion at all levels.

***(h) The level of transparency & accountability in the regulation of the industry, including the reasons for the failure to make public reports flowing from six out of ten inquiries or reviews over the last decade.***

We can only assume that these inquiries were of the type referred to by us in (g) above where the industry was not consulted & it was later found that the report was seriously flawed & therefore should not be made public.

***(i) The appropriateness & accountability mechanisms associated with the appointment of key Government ministers & bureaucrats to positions in the industry & its impact on Government policy.***

This is one area where we definitely cannot comment except to state that input in decision making policies must also be obtained from the industry in the "field". In the ten years we have owned & operated Southern Highlands Taxis we have not had one visit to view or discuss our operation from an executive of the Ministry of Transport. Perhaps it is only the "bad" boys who are visited however communication at an executive level ensures that everyone understands the problems & goals of the other.

***(j) Regulatory structures in other Australian jurisdictions & the optimal framework required to achieve the best possible taxi service for members of the public in NSW.***

We also cannot comment on the framework in other states. Regarding NSW, we can only recommend that the taxi industry or selected members of the industry be included in future "panels" or "committees" whom determine the direction of the industry. In this way all stake holders will have an input to the benefit of both the public & the industry.

***(k) Working conditions & entitlements for taxi drivers.***

Taxi drivers must be paid on a productivity basis due to the nature of the work. The current arrangement where drivers are self employed & lease a taxi under a Bailment Agreement works very well particularly when (as it is in country NSW) the lease fee equals a percentage of the fares taken for the shift. In this way both driver & operator share in the "good" & the "bad" & a driver never experiences a "loss" shift.

Diligent & energetic drivers earn a good income under the above arrangement & there are many working for us who will gross from five or six shifts per week some \$50K to \$60K pa plus. The operator pays for Workers Compensation & this typically costs around \$1,500.00 per taxi in country NSW. The operator also pays for all other operating & vehicle running costs including fuel.

To remunerate taxi drivers in any other way would be unproductive. For example, a bus has a scheduled route & the driver must follow that route according to the time schedule. Most other types of work have a clear job description such as bus driving & can be easily evaluated. A taxi driver cannot. He/she is not unlike a salesperson who is remunerated by commission. In other words he/she receive a percentage of what they produce. It is this motivation that gets the job done.

If a taxi driver was provided with a fixed wage then I strongly believe that service standards would drop & the cost of fares to the public would increase directly as a result of the reduced level of activity compared to the increase in costs.

Due to the nature of the business taxi drivers do enjoy adequate meal breaks & other rest periods even though they may not be at consistent times.

***(1) Any other related matters***

An area of huge expense to government is that of Community Transport which has grown to be that of a second taxi & bus service. Community Transport operates Monday to Friday during business hours only, with financial assistance from all levels of government including local government.

Community Transport enjoys in many cases volunteer drivers, however it also has considerable administrative & other operational costs. I have little doubt that a contract rate could be determined with the taxi industry to do the work currently carried out by Community Transport, which would provide substantial cost savings to all levels of government. In most cases the taxi industry already has the vehicles which in many cases are just underutilised.

The current cost to the three levels of governments for the provision of vehicles to Community Transport & their operation must be huge, to say the least!

When it comes to care then country taxi drivers in particular are well trained to properly assist the aged, frail & disadvantaged.

A suggestion regarding Metropolitan Sydney is to split the entire area into a small number of licensed areas thereby encouraging taxis to operate within those licensed areas. This would ensure greater driver knowledge of the area plus provide a far greater availability of taxis generally. The standing of hundreds of taxis at Sydney airport with each one often waiting for a fare for hours suggests that the resource could well be used elsewhere.

The other point is that in many country districts the fleet is owned by one operator (such is the case with us) which enables management to control the behaviour of drivers thereby ensuring a high level of service standards.

For example some seven years ago we sold off two taxi licences only to find that the new owners/drivers developed an immediate independence & refused to follow our customer service policies. After a short while to protect our reputation we were forced to repurchase the licences.

There is nothing wrong with one company owning & managing a fleet of taxis (you deal with bus operators daily all who own & manage their fleet of vehicles) as this ensures that the public does get the very best of service. We believe that this would be the ultimate end result for the NSW Government.

We hope that the above is of some assistance to your Inquiry & provides some insight into the industry from a country operator's perspective. Should you have any questions we would be pleased to assist you.

Sincerely  
Southern Highlands Taxis, Hire Cars & Coaches

Laurie Stewart (Director)