

INQUIRY INTO OPERATION OF THE POINT TO POINT TRANSPORT (TAXIS AND HIRE VEHICLES) ACT 2016

Organisation: Tamworth Cabs

Date Received: 28 May 2020

Tamworth Cabs



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28/05/2020

Inquiry into the operation of the Point to Point Transport (Taxis and Hire Vehicles) Act 2016

PORTFOLIO COMMITTEE NO.6 – TRANSPORT AND CUSTOMER SERVICE

Introduction:

My name is _____ and I have been operating taxis as a Driver in Tamworth since the mid 1990s and also became an Owner/Operator from 2006. Since this time, I have been a regular office bearer with the Board of Tamworth Radio Cabs Co-operative Limited where I am the current President.

The Tamworth Radio Cabs Cooperative consists of fifteen individual taxi plate owners, who own a total of eighteen taxi plates. Additionally, six of these eighteen plates are currently being leased according to the following:

- Four taxi plates being leased by two individual operators
- Two taxi plates being leased by the Cooperative from shareholding members unable to continue day to day operations due to other circumstances.

Tamworth Radio Cabs Cooperative also maintains five WAT taxi plates, one of which is owned by the network and four of which are leased from TfNSW.

This document has been prepared on behalf of the Tamworth Radio Cabs Cooperative Limited members with assistance from the appointed Operations Manager, Mr. Tristan Rainey. Some figures related directly to the taxi plate owned and operated by the current President for the Cooperative, _____. And other data has been sourced from the Cooperative computer dispatch records and official Government websites.

Operation of the regulatory system applying to the taxi industry:

- The competitive landscape of the industry currently comprises over 200 taxi networks operating across the state of NSW and providing competition and consumer choice. These networks rely on operators to be connected to them for viability and accountability. If operators leave, which they are currently doing, networks are becoming vulnerable and are likely to fail. This will result in reduced competition, heading towards a monopolistic environment with significant amounts of capital headed offshore instead of being reinvested into the local economy. Another core issue arises in vulnerable regional areas

where taxis are considered the primary public transport system due to being able to provide a 24/7 door to door service. The loss of such taxi networks in towns throughout NSW, which may comprise small numbers of 4 or 5 taxis up to 19 or 20 taxis, may mean people of the town lose a long serving and much relied upon public transport service.

Whilst the taxi industry has taken its own drastic measures to reduce costs by lowering network fees. Taxi plate owners utilising lease arrangements with more centralised organisations able to operate with such reduced costs are now receiving vastly reduced lease fees for their taxi plates. This is much akin to a landlord being expected to provide accommodation for vastly reduced rent. However, other applicable costs remain quite high. In particular, the NSW State Government costs for CTP and vehicle registration as well as a requirement for appropriate Workers Compensation coverage remain much higher than those for comparable rideshare operators. (1) Unfortunately, without financial support, in addition to huge swathes of the available market and concomitant incomes being essentially given away to competitors through deregulation, the industry has witnessed nearly 3,000 taxi plates (approximately 50%) being deregistered and taken off the road. A significant number of such taxi plates were set up with the primary intention of assisting members of the disability sector.

(1) Subsequent to the first draft of this document, correspondence has been received from the Point To Point Commission (22/05/2020) to outline a \$12.6 million financial assistance package to assist in response to Covid-19. (See 'Positive Examples' further down)

The practical operation of the regulatory system in application to the taxi industry is essentially flawed with a clear weight being placed upon taxi operators that is not experienced by other point to point operators. A taxi is used for the purpose of providing a passenger service full time with appropriate consumer expectations with regard to equipment specifications and maintenance as well as personnel and safety qualifications and record keeping. It is not a private vehicle and must therefore be clearly identified with industry specific livery and equipment (dome lights etc), which comes at a significant additional cost not borne by other point to point operators. This two tiered regulatory system, especially with regard to safety equipment and maintenance for consumer well being and peace of mind, fails consumers in that being weighted so heavily upon taxi participants within the point to point industry, this core part of the transport industry may soon fail in coming years.

This issue is having an acute effect upon vulnerable regional areas where taxis provide a clear commitment to ensuring 24/7 transport service is available for all members of the community, which goes above and beyond the general requirements and expectations. The loss and severe reduction of such regional services has already occurred in towns close to Tamworth such as; Walcha, Manilla, Gunnedah and Moree.

Bailment system:

The taxi industry operates a little differently to the traditional business model of employer/employee in that a bailor/bailee arrangement is utilised. This is where a bailee driver, rather than being employed directly, bails a taxi vehicle from the owner/operator. In doing so, rather than receive a set wage, the bailee driver either pays a set fee to the owner/operator or splits the farebox with them. The bailor and the bailee have their own separate ABNs and report income separately to the Government.

The taxi owner/operator is the person who owns and maintains the vehicle with liability to make payment for major running costs. Each taxi vehicle is supplied to a bailee driver in an agreed state of preparedness and condition to be utilised specifically as a workplace for each shift. Throughout a given week, each taxi vehicle will be often used by multiple bailee drivers, which helps ensure regular standards are observed without potential safety issues being allowed to carry over between shifts unaddressed. It is important to note that the owner/operator bears the ultimate responsibility to all drivers for providing a safe, secure and reliable workplace environment in addition to a recognised base of operations to assist with all additional administrative and accountability matters.

The Bailor/Bailee system is an integral part of the taxi industry. Any changes pursued by the NSW State Government in this regard would only serve to negatively impact the taxi industry in NSW.

Implementation of the industry assistance package, including the Passenger Service Levy:

The original transition assistance package of \$20,000.00 was initially well received. However, once further details became clear on this package, including the fact that it was deemed taxable income at the level of Federal Government and resulted in a real value of only \$14,000.00, as well as the fact that only two claims could be lodged in the event that a person or entity possessed multiple taxi plates. The assistance that was supposed to result did not live up to expectations. Further, once it became apparent that a five year period of levy collection (Passenger Service Levy) that would result in as much as 15% fare increases for Tamworth taxi users, the concept would have been viewed quite differently. Particularly as not a single cent went toward the taxi plate owner and/or driver.

With regard to the hardship package, it is believed that at least ten taxi plate owners in the Tamworth region, including Gunnedah, applied for this additional assistance. However, only two taxi plate owners were able to receive such assistance. Furthermore, the claims lodged for hardship assistance in 2018 lacked a facility to appeal these rulings. The fact that data collected subsequently to lodging each claim is able to substantiate a larger impact upon the financial stability of individual taxi plate owners and the industry as a whole has not resulted in additional review. This is exemplified by the attached document **"TC273 multiple takings summaries.pdf"** where significant impacts are clearly illustrated from one period to the next with further impacts expected in future years to follow.

With regard to the Passenger Service Levy (PSL), at the time of writing, taxi plate owners affiliated with Tamworth Cabs have so far recouped approximately \$19,000.00 for each taxi plate in operation. As previously mentioned, the PSL resulted in a real fare increase for Tamworth customers of between 12% and 15%. This is significantly higher than metropolitan counterparts (Sydney & Newcastle) where the PSL represents between 3% and 5% of the real fare costs. Additionally, this increase has been perceived by customers of Tamworth Cabs as being of direct financial benefit to taxi plate owners without knowing that it is a forced State Government collection.

It is also noted that community transport groups do not have to collect and supply PSL monies to the NSW State Government. This is despite running what is effectively a State subsidised taxi service in direct competition with taxi plate owners.

Taxi plate values:

- The impact of legislation upon taxi plates has been massive with long lasting consequences. To this end, the legislation resulted in the destruction of self funded retirement schemes of those who bought into the industry in good faith that it was secure with Government regulation. The taxi plate value itself was initially believed to be a viable nest egg comparable to modern superannuation schemes. A large number of taxi plates were in fact purchased with accrued superannuation fund monies and also redundancy monies as technology changed the employment landscape and working ability remained. And, once the initial debt was paid off, the interim period of operating the taxi plate provided a sustainable business for those willing to put in the time and effort. Prior to the negative effects of this legislation coming into being, lenders had previously considered taxi plate as viable equity when seeking a loan to invest further into the industry.

In Tamworth specifically, taxi plate values, irrespective of shares and any associated vehicle transfers, were reasonably \$250,000.00 and higher as recently as 2014/2015. In 2007, TfNSW sold two (2) additional taxi plates in the Tamworth area for \$330,000.00 with no correspondence entered into with the Board of that time. Today, in 2020, taxi plate values are notionally around \$100,00.00, but no recent sales at this rate exist to confirm such an expectation of value for taxi plates. An illustration of the drastic decline in taxi plate values can be seen in the attachment **"Tamworth Area yearly average plate transfer prices.pdf"** Furthermore, two taxi plates affiliated with Tamworth Cabs have been placed on hold with Services NSW (Tamworth). In January of 2020, 11% of taxi plates were on hold in NSW. Whereas in January of 2018, only 5% of taxi plates were on hold. Currently, in excess of 50% of taxi plates appear to be on hold. (Sourced from <https://www.rms.nsw.gov.au/about/corporate-publications/statistics/public-passenger-vehicles/taxi-plates-and-point-to-point-drivers.html>)

At least four taxi plates have been available for purchase in Tamworth throughout the past year 2019/2020, but the commercial value of \$100,000.00 for each taxi plate has not garnered due interest at the time of writing.

Role and function of the Point to Point Commissioner:

Since the transition away from working with Transport for New South Wales (TfNSW) where the standards were uniform for all participants in the passenger transport industry across the state, which came with clearly defined requirements and limitations as well as enforcement. Guidance and regulation no longer comes with a 'black and white' understanding. As such, many different interpretations of the rules exist, even within the individual networks. This brings with it certain measure of unnecessary conflict.

Related matters:

- Current market structure and impact of legislation:

In Tamworth, passenger transport is carried out with approximately 85% of trips being booked transport versus 15% of trips being rank and hail transport. The implementation of the legislation has resulted in a significant number of additional point to point transport service providers entering the Tamworth market as well as many illegal providers conducting their own paid transport activity. This is despite transport requirements within the Tamworth area not increasing to justify so many additional passenger transport operators within the market. Case in point, the evening requirements for passenger

transport, which is a target of rideshare operators, has been decreasing with regularity for several years now. Figures to substantiate this trend are available upon request, however, the attachment **"TC273 multiple takings summaries.pdf"** clearly illustrates the erosion of taxi customers on Friday and Saturday nights and the impact upon earning capacity of this taxi plate.

The end result of having so many additional passenger transport operators has been a steady erosion of demand for taxi transport along with the incomes available for individuals and an ever increasing pressure upon the ability of Tamworth Cabs and other regional networks to provide the full 24/7 service 365 days per year for ALL members of the community, not just those within the 'trendy' demographic. Tamworth Cabs, in one guise or another, has prided itself on being able to deliver such services to the local community for more than 100 years and was able to steadily evolve in meeting the diversifying transport needs of the local community. To this end, the attachment **"Tamworth Cabs hails & bookings.pdf"** identifies both an increasing trend of customers transitioning from hails to bookings for transport needs prior to deregulation of the industry as well as a significant reduction in bookings being illustrated as other entities became free to enter the market with the removal of longstanding barriers to entry. The subsequent reduction in market share and associated earnings was not mirrored by appreciable reductions in the cost of running a taxi vehicle, with a CTP reduction being the only change of certain value.

The overall impact of the legislation upon the transport industry in larger regional areas, such as Tamworth, has been to clearly reduce earning capacity that served to ensure that consumers could expect properly regulated maintenance and safety standards were observed along with local accountability of owner/operators and drivers. As well as to encourage future generations to enter into a business that is far from glamorous and required genuine passion for serving the community that they're part of.

- Blurred lines legality and safety:

Even prior to deregulation an implementation of the Point to Point Legislation, there was a notable increase in the number of illegal transport providers encroaching upon the transport industry. This increase developed in line with expansion of social media platforms, such as Facebook, where individuals would offer transport in return for cash reward. The taxi industry was previously supported by TfNSW in such matters and had the capacity to forward details for review and action. At all times, the intention of taxi networks forwarding such information was based upon safety concerns for the community in general.

Whilst such activity was limited, even during the earlier years of social media expansion, the rise of transport operators without the expense of industry specific livery and safety equipment has seen a dramatic increase in the blurring of the lines between legal transport operations, with full insurance and accountability such as taxi vehicles, versus illegal transport activity arising from social media platforms, such as Facebook.

This blurring of the lines affects not just taxi operators, but all those transport providers legally operating within the Point to Point industry. Furthermore, the average consumer has an expectation of safety and accountability that is no longer clearly defined, much less enforced by appointed centralised authorities.

- Cherry Picking

Since the implantation of the Point to Point Legislation and the legalisation of rideshare operations, the long standing history of transport operators providing services to the whole community has not been continued by all participants within the transport industry. Specifically, rideshare operators tend to 'cherry pick' both the times of operation and also the customers they intend to transport without regard for historical expectations of consumers and service to the general community. This method of targeting only serves to negatively impact upon the financial earning capacity of taxi operators who have served the community for over 100 years by initially buying into a properly regulated market at a premium price.

- Recommendations:

1) Given the overwhelmingly negative impact the legislation has had upon direct market share for taxi plate owners in Tamworth and other regional areas, especially given the significant percentage of booked transport options provided versus the more metropolitan associated rank and hail activities. The ever increasing number of additional transport providers being able to operate without any barriers to entry to enforce only serves to divide available income into ever smaller portions. This is simply not sustainable and will inevitably result in key services to those highly reliant upon additional transport options no longer being available as they have been under operations by regional taxi plate owners for many decades.

The legislation fails to take into account the fact that additional transport providers target only a specific section/demographic of the available market, which includes access to specific payment options and charges that are NOT fixed at a given rate. The long term result of continued operation of the transport industry in this manner can only be a consistent devaluation of the industry as a whole. As such, fewer people will be attracted to entering the transport industry and the community will simply lose out. – The concept of seeking a point of equilibrium will NOT work in ensuring basic safety standards and expectations for the travelling public. An example of where the point of equilibrium is not allowed to come into effect can be seen with the imposition of a minimum wage to protect participants of the workforce from exploitation. The possibility of exploitation of drivers with rideshare operators is an all too real consideration as the booking provider is known to adjust takings percentages on a whim and does not pass full passenger payments on to drivers in a proportionate manner. Whereas taxi drivers were able to expect a certain measure of certainty that is fair and free of exploitation.

The only sensible course of action is for a clear distinction to be drawn between metropolitan and regional transport industries with a return to regulation regional areas. This would include proper barriers to entry and appropriate apparatuses to ensure safety and maintenance standards are adhered to along with associated accountability. Regional communities require tacitly require a different commitment from transport providers that simply can't be met in a deregulated market.

2) Due to an ever increasing number of aged care and disability services being required, along with the significant distances to be travelled in regional areas for medical and support programs. It would be recommended that the Taxi Transport Subsidy Scheme (TTSS) remain solely within the taxi industry, especially given a historical commitment to providing a 24/7 service to ALL members of the community. Furthermore, whilst there was an increase in

both the WATDIS (wheelchair driver subsidy) and also the maximum claimable travel distance in recent years. Those people relying upon TTSS vouchers outside of metropolitan areas ought to receive an increase in the subsidy that can be claimed.

3) In the event that the transport industry within NSW does not return to being a properly regulated market with appropriate barriers to entry that help safeguard both participants and consumers. It is strongly recommended that the NSW State Government utilise a continuation of the Passenger Transport Levy (PSL) to fund a full buy-back of all registered taxi plates within NSW. Such an action would only be fair given that the industry was effectively given away and financial hardships subsequently endured to the point that the recent outbreak of the Covid-19 epidemic has seen over 50% of registered taxi plates within NSW put on hold as financial reserves no longer exist.

- Positive examples:

The \$250 regional seniors card was a great initiative in assisting a core market relying on transport assistance and many within the taxi industry have expressed thanks at this proactive approach from the NSW State Government to assist an ageing population that is ever more dependent upon a reliable 24/7 door-to-door public transport service.

- Whilst not directly assistance to taxi plate operators in regard to deregulation, notification of a recent \$12.6 million assistance package has been advised in response to Covid-19 with the effect of providing support for CTP insurance and vehicle registration. Taxi plate operators can claim a subsidy of up to \$2,900.00 for each registered taxi plate in operation.

Conclusion:

The core result of the Point to Point Legislation has seemingly been for the NSW State Government to wash its hands of exercising proper responsibility and not only legalise entities that had deliberately flaunted established regulations and laws specifically put in place for both the safety of the general community and financial viability of taxi transport providers. But also actively reneged upon the good faith purchases of taxi operators and then forced them to wear a crippling financial hardship and subsequently expected to fill an unprofitable void deliberately not addressed by the very same new entrants that have been gifted a huge portion of a once protected market.