

29 May 2020

Jonathan Roberts
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000
By email: jonathan.roberts@esc.vic.gov.au

Dear Jonathan

Submission to Taxi Fare Review 2020

13cabs appreciates the opportunity to provide a submission to the ESC on its 2020 Taxi Fare Review.

13cabs is committed to the longevity of a strong and vibrant Taxi industry. The key objective in providing this submission is to advocate higher earnings for Taxi Drivers. The maximum fare for a Taxi trip must allow for Taxi Drivers to earn an income that is fair and comparable to what other Australians are able to earn.

13cabs submits that the ESC should increase the maximum allowable cost of a Taxi trip by 11.04%. This is only an increase of 1.76% per year since 2014 when fares were last increased – or an increase of 35 cents per year on the cost of the current average trip. This is less than the 3% per year increase in the cost of public transport.

We make this recommendation for the following reasons

- There have been no Taxi fare increases since 2014.
- Earnings of Taxi Drivers should at least be at parity with the average earnings for other Australians.
- Taxi Drivers must be able to keep up with the increasing cost of living.
- To allow regular (annual) increases in line with an appropriate economic index.

Issues relating to demand for the service a Taxi provides is a commercial matter rather than a regulatory one. There is no evidence to suggest that any increase in the maximum allowable Taxi fare will have a negative impact on the demand for Taxi trips. In fact, history tells us that it does not.

Below we set out our reasoning in detail focusing on the following three key factors:

1. Taxi fares since 2014
2. Demand for Taxi trips
3. Appropriate fare setting models

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Melbourne	Black Cabs Combined Pty Ltd	ABN 80 007 321 682	35 Downing Street Oakleigh VIC 3166	t 03 9277 3700
Newcastle	Newcastle Taxis Pty Ltd	ABN 17 121 237 385	5/8 Channel Road Mayfield West NSW 2304	t 02 4940 5955
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1. Taxi fares since 2014

The maximum allowable Taxi fare has not increased since 2014. This is inconsistent with both average weekly earnings and Australian minimum wage standards.

In the period 2014 to 2020:

- The average weekly earnings of Australians increased by 11.04% from \$1114 to \$1237 (January 2014 to December 2019).
- CPI (the metric often used to measure increase in cost of living) has increased by 10.6% from 105.4 to 116.6.

While earnings of other Australians have increased on average by 11.04%, CPI has increased by 10.6% allowing Australians to maintain a reasonable standard of living. On the other hand, Taxi Driver earnings have not increased at all while their cost of living has still increased by 10.6% leaving them struggling to maintain any sort of reasonable standard of living.

The Australian minimum wage is currently set at \$740.80 for a 38-hour week, equating to \$19.49 per hour. When comparing this to average weekly take home for Taxi Drivers, Taxi Drivers earn only \$13.50 per hour. This is more than 30% less than the minimum wage and 60% less than the average weekly earnings of other Australians.

For a Taxi Driver to generate enough income to meet the minimum wage for a 38-hour week, they must work over 54 hours. That is an extra 16 hours a week. In doing so however, their earnings are brought down to the equivalent of only \$9.16 per hour – approximately 50% of the minimum wage.

The reason for the setting a minimum standard for earnings is to ensure everyone is given a fair go in keeping up with the high cost of living in Australia. By not regularly revising the maximum allowable Taxi fare with reference to average weekly earnings, Taxi Drivers are becoming unable to provide the high standard of service expected of them from the community.

If we want to continue to ensure the quality of the Drivers in the industry is of a sufficiently high standard to deliver essential services then we need to ensure that their earnings allow them to do so.

2. Demand for Taxi trips

Raising the price of a Taxi fare does not of itself affect demand for the service.

Healthy levels of demand will still exist in an environment where fares are higher than those currently prescribed and will assist the long-term viability of the industry by ensuring Drivers are properly rewarded for their work.

History and our experiences tell us that increases in the price of transport and transport related services do not lead to a reduction in demand. For example, since 2014 there has been at least a 3% year on year increase in the price of public transport but no decrease in demand. Public transport fares are being increased to take into account changes in the costs associated with providing the service including wages and labour.

Further, year on year, road and airport tolls are increased to enable those providers to account for an increase in their costs. Since 2016 there have been at least 17 increases to

road and airport tolls which has led to at least 17 increases in the price of a Taxi fare without seeing any decrease in demand.

While costs to Taxi Drivers have increased (eg fuel, insurance and maintenance of vehicles) the metered Taxi fare (their income) has not increased at all. In terms of the need to increase prices to account for increased input costs – both direct and indirect – Taxis are no different than other personal transport providers and contributors to the transport industry.

A clear demonstration that an increase in the Taxi fare will not result in a decrease in demand is the introduction of price surging by ridesharing companies. For example Uber is allowed to indiscriminately raise prices (particularly during times of need). This does not cause a decrease in the demand for their services. In fact, the demand has only increased even where prices are raised by over 200%. The annual growth of ridesharing in Australia has been 130.5% over the last 5 years and is projected to experience year on year growth of 13.7% for the next five years.¹

In addition, price is not the only determining factor of demand. Quality and safety of service are equally (sometimes even more so) important in a Passenger's choice of personal transport. These include Driver presentation and knowledge, certainty of vehicle type and condition, GPS tracking and appropriate insurance coverage.

A higher level of service is the best way that Taxi Drivers can compete for rides against Uber. Provided that Taxi Drivers are allowed to maintain their quality of service through an increase in maximum allowable Taxi fare, healthy levels of demand will not be affected by an increase in price.

3. Appropriate fare setting models

The ESC has proposed five different approaches for assessing the level of the maximum fare.

As discussed above, while the cost of living in Australia has increased, Driver earnings have remained stagnant. Therefore, the most appropriate approach is the use of indexes such as:

- Annual weekly earnings across the Australian economy
- The Consumer Price Index (CPI)
- Indexed changes relative to increases in price of Victorian Public transport

13cabs agrees with the ESC that the market has not sufficiently settled in order to use a market outcomes approach for fares. In addition demand is not an appropriate measure for determining maximum Taxi fares for the reasons discussed above.

A taxi-index approach skews the actual costs of driving a Taxi and does not take into account the labour intensive nature of being a Taxi Driver. The labour component comprises the majority of the input of the costs of the service and as stated by the ESC there is no guarantee that the Driver labour cost component would flow through to Driver earnings.

¹ IBISWorld Industry report OD5540, "Ridesharing Services in Australia" (October 2018) (IBISWorld), page 3.

13cabs is committed to ensuring Driver wellbeing. Drivers are the backbone of the personal transport sector and are the primary point of contact with the Passenger. Without ensuring that there is a vibrant and high quality Driver community the essential service they provide to all Victorians will be put at risk.

We would appreciate the opportunity to further discuss how fairer earning outcomes can be achieved for Taxi Drivers and be grateful if the Commission would accommodate our request.

Yours faithfully

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a horizontal line and a sharp, upward-pointing 'A'.

David Samuel
Head of Public Affairs