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Taxi Fare Review 2020
Essential Services Commission
Level 37, 2 Lonsdale St
Melbourne, VIC 3000

Dear Sir/Madam,

Time and Distance Tariffs

I make this submission with respect to the question asked in point 3 on page 2 of the Consultation Paper, namely:

Should we remove 'time or distance tariffs' and require the use of 'time and distance' tariffs'?

Our response to this question is as follows:

Our company is a long-established manufacturer of taximeters based in Clayton South. For many decades all taxi tariffs used in Victoria and other states and territories of Australia have been based on 'time or distance tariffs'. Indeed, 'time or distance tariffs' are also used exclusively in all of our export markets. We therefore have a considerable investment in this technology and no existing software which supports 'time and distance tariff' operation.

It is technically possible to program our latest generation products to operate on the basis of 'time and distance tariffs'. It is simply a matter of software development. However, having said that, the development effort would be quite substantial. We estimate that it would require some weeks to fully implement such a change in taximeter operation particularly as any errors in the development would be repeated numerous times and potentially affect many taximeters. The development effort would involve writing the code, doing exhaustive bench testing of the code followed by exhaustive road testing of the code. All of this translates into many thousands of dollars of development.

In the present COVID-19 economic climate, we simply do not have the resources to commit to such a development program. Like many other businesses around Australia, we are battling to keep our doors open. Thousands of our customers have parked their taxis in response to the massive downturn in demand for taxis. That has had a direct and swift impact on our revenue. As a result, our business is

currently in survival mode and we hope that we can remain in operation until the economic climate improves one again.

Accordingly, it is simply impossible for us to contemplate an investment into such a development program at this time.

In addition, when changes in taximeter functionality have been required in the past, we have passed on the costs of implementing those changes to our customers. We currently estimate that 80% of Melbourne's taxis are not operating. This is the deepest recession in the taxi industry which I can remember in more than 50 years of association with the industry. In this climate, when taxi operators are struggling to pay their bills, it would be impossible for us to charge our customers for implementing any changes. In our view, most taxi operators would be extremely reluctant to pay anything at all towards the cost of development of a 'time and distance tariff' system. Hence, we would be very unlikely to ever recoup the cost of development meaning that the development cost would be a sunk cost. Apart from not having the resources to do the work in the first place, we simply cannot take on the risk of a loss-making exercise at this time.

In our view, this proposal should remain optional for taxi operators for the foreseeable future, but certainly until the taxi industry has made a substantial recovery from its current severely depressed state.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Gary Schmidt', with a stylized flourish at the end.

Gary Schmidt
CEO