

Dear Dr Ron Ben-David and all ESC commissioners,

Please consider this email a formal submission to the ESC as well as a response to Dr Ben-David in relation to the structure and review of taxi fares in Victoria.

Last Sunday (October 6, 2013) at the Victorian Taxi Families meeting, Dr Ben-David, you did, in fact, say to me "We have to follow government policy." "We have to follow the law" when asked about the ESC's approach, by me, to the present taxi fare review. You also appeared surprised when informed that alternative models of economics to the equilibrium model exist. You said "What are they?" This suggests to me that the Directors of ESC may have little knowledge of economic theory outside of the price/auction model for which you have offered taxi stakeholders and the public no evidence about its relevance or scientific integrity. In fact, in 2008 the ESC released a report following its review of taxi fares in which the ESC stated its own preference for a deregulated taxi market in Victoria. This also just happens to be the present driving force behind the Allan Fels reforms impacting on the taxi industry in Victoria. What an amazing coincidence? The bias for deregulation and neoclassical theory is prejudiced against alternative modeling outside of the price/auction model. In my view, the Essential Services Commission will not be able to complete an unbiased or balanced review of Victorian taxi fares because its own thinking is heavily influenced by concepts which many see as irrelevant to taxi markets and indeed the wider economy. Like the Fels reforms, the ESC appears to be on the side of ideology, not science or evidence-based policy.

Last Sunday I informed you that the ESC should take into account decisions made by the Australian Fair Work Commission in its review of taxi fares. The Fair Work Ombudsman's Office has increased the minimum wage by \$77.15 since 2008. Over the same time there has been no increase in taxi fares. You appeared to be uncomfortable with this information, Dr Ben-David.

The Australian Fair Work Commission exists, Dr Ben-David, because of market failures (neoclassical theory) and the inability of "market forces" to provide many workers and taxi drivers with a sustainable living. More than 90% of industrialized countries around the world accept the need for minimum wage standards. But the Victorian government and Allan Fels, and the ESC, deny these standards to taxi drivers. Dr Ben-David what evidence do you have that Victorians want taxi drivers to be denied rights available to other workers in this state? Do you and the ESC believe taxi drivers should be treated as second class citizens?

Central to the exploitation of taxi drivers is the concept of the "Bailee model" This model is illegal, Dr Ben-David, and should be rejected by the ESC. The Bailee model amounts to little more than a cover for "Sham contracting" and sham contracting has been rejected as illegal by the Fair Work Commissioner. If you believe the ESC should follow the law then taxi fares must be structured so that they always reflect changes in minimum wages. The taxi industry provides the state government with substantial revenue receipts annually. The state government (the legislature) is ultimately responsible for industry standards. Any driver or licence operator unable to earn a minimum income from operating or driving a taxi (the equivalent of the Fair Work Commissioner's definition) should be eligible to have any income gap compensated for by the Victorian government in future. The deregulation of the taxi insurance market has imposed "hidden costs" on taxi licence operators because we can be forced to pay for any damages caused by uninsured private motorists. Existing taxi clubs do not come under the Financial Services Ombudsman's jurisdiction. This can be addressed with the introduction of a taxi "insurance levy" included in any future fare structure. Further, taxi drivers and operators should be fairly compensated for working on all public holidays and weekends during the year; not just Xmas Day and Boxing Day. At present the 20% taxi surcharge applies only from midnight to 5.00am on taxi meters. The operation of the 20% surcharge should now be extended to all weekend taxi work and for all public holidays in future. The Office of the Fair Work Commission accepts that penalty rates of pay should apply to all workers on weekends and during holidays, but taxi industry workers have been denied the same standards and rights. Why? I put it to you Dr Ben-David that the ESC has condoned the exploitation of taxi drivers because it is blinded by

equilibrium modeling. This submission argues that taxi drivers and operators must have access to the same standards and rights as other workers in the community and that there are mechanisms available for doing this. I call on the ESC to comply with standards set by the Fair Work Ombudsman's Office. I call on you to structure taxi fares so that the 20% surcharge is extended and expanded. You must reject sham contracting in the taxi industry as it is illegal. I call on the ESC to introduce an insurance levy in the fare structure. As I informed you last Sunday, there is absolutely no case for cutting or reducing Victorian taxi fares and, I believe, neoclassical theory is an inappropriate model for moving the taxi industry forward. The reforms recommended by the Fels inquiry have not been accepted by taxi stakeholders and have more to do with ideology than science or evidence. The history of the ESC suggests that it may be trapped in its own ideological time warp.

Sincerely,

John Glazebrook