

TAXI FARE REVIEW 2013-14 - SUBMISSION OF IDEAS

I welcome the opportunity to submit my ideas for the review of taxi fares in Victoria. I have been a full-time professional (day shift) taxi driver for the last 7 years. I am Silver Service and Group (Secondary Service Provider) accredited. Previously, I spent in excess of 30 years in the financial services industry. I believe that I am ideally situated to provide valuable feedback to the Essential Services Commission (ESC).

Principal Outcome

The principal outcome of any fare review must be a fair return on investment (ROI) for the taxi owner/operator. As with any privately operated enterprise, this must be the prime consideration. The difficulty in this debate, is the competing interests of the parties involved – the industry (the service provider) and the regulatory authority that governs it's operation (The Government). It should be acknowledged at the outset that the taxi industry provides an essential and unique service to the community and it's long-term viability depends on a fair and reasonable ROI. Taxi services will always be required to supplement other public transport options and therefore current and future viability is paramount.

Any other considerations or outcomes are secondary.

Fixed Costs

Putting a new taxi on the road presents a significant cost. Keeping it on the road is also an expensive exercise.

For the purposes of this submission I will assume the annual cost of purchasing/maintaining a new Falcon LPI Auto Sedan for a period of 5 years – the viable life of a taxi. My calculations assume that the vehicle is working 2 shifts/day, 7 days a week. Average kilometres per shift = 300 kms (220,000 kms per year). Not all taxis work this hard but the reality is that to survive, this is what a is required.

Item	Cost	Annual Cost	Cost per kilometre
New Falcon LPI Auto Sedan	\$34000	\$6800	
Taxi Camera	\$3500	\$700	
Yellow Paint and decals	\$2000	\$400	
Fitting of Despatcher, Eftpos, meter and radio	\$1500	\$300	
Lease fees	\$3000/month	\$36000	
Depot fees	\$600/month	\$7200	
Registration	\$2500/year	\$2500	
Insurance	\$2500/year	\$2500	
WorkCover	\$3000/year	\$3000	
Maintenance	\$500/month	\$6000	
Fuel	\$50/day	\$18250	
Totals		\$83650	38.02 cents

Based on the above, it costs an operator approximately \$230 per day (600 kms x 38.02 cents) to keep a taxi on the road. If a driver is to earn at a minimum \$125 per shift ($\$622.20/5$) then the take on the meter must be at least \$240 per shift. This does not allow for a profit margin – these are raw numbers.

TAXI FARE REVIEW 2013-14 - SUBMISSION OF IDEAS

Clearly, under the present fare structure, it is simply not viable to operate a taxi at a reasonable profit in Melbourne. A number of operators have already closed their doors and many more will follow.

Obviously all costs associated with operating a taxi have risen since 2008. The world hasn't stopped but fares have, it's time for an immediate increase of at least 15% to 20%.

Ideas

- Fares must be commensurate with the costs involved with providing the service. Many of these costs are fixed and escalating and are beyond the control of the individual owner/operator. Many of these costs also fall outside the control of the ESC.
- Fare reviews must be undertaken every 12 months in line with the Consumer Price Index (CPI). Every 2 years is simply not acceptable. Registration, Insurance, Tolls etc are all reviewed annually – why not taxi fares?
- A minimum fare of say \$10 must be implemented. This will alleviate short-fare refusal and will give drivers some certainty of income. The meters can accommodate this change and charging by time/distance travelled would commence once the initial \$10 fare is surpassed. In reality, average day fares are around \$25 and night fares around \$20. (I can substantiate these figures from my own records).
- Fares for Wheelchair Accessible Vehicles (WATs) should have 2 tariffs – 4 or less passengers and 5 or more.
- Fares should be set on a national level. At present fare structures vary greatly from state to state even though fixed costs are similar.
- I would advocate the same fare structure, i.e. one tariff, at all times. The idea of having different tariffs for different days and time of day is simply outdated and unnecessarily complicated. Costs do not vary by day or time – they are fixed. The current late night tariff, in reality, provides limited extra income to drivers. “Keep it simple stupid” (the KISS principle).
- Day drivers should not be required to discount fares as proposed by Professor Fels. This is discriminatory and patently unfair. Our living costs are no different so why should our income be different?
- A higher driver share of the farebox is long overdue. I would propose a 60/40 split rather than 55/45. This, of course, depends on the final fare determination, but nothing happens without the driver and for far too long he/she has been at the bottom of the pecking order.
- Driver income for a 5 day/night shift per week should be at least commensurate with the national minimum wage (currently \$622.20). To achieve this, the driver on 55% of the farebox would need to take approximately \$1150 on the meter or \$230 per shift. This, in my opinion, is achievable. Any return less than this should be made up by the operator.
- Certainty of income will attract better drivers to the industry providing better outcomes for the travelling public.
- The Driver should be treated as an employee of the operator not as a Bailee. The operator is required to provide WorkCover for the driver; therefore an employer/employee relationship exists.
- Drivers should be provided with annual leave, sick leave etc. just like any other public transport employee. This already happens for taxi drivers in New South Wales.

TAXI FARE REVIEW 2013-14 - SUBMISSION OF IDEAS

- The ESC should also regulate the maximum fares charged by hire cars and any proposed Pre-Booked Only (PBO) vehicles. These are in direct competition to taxis and, quite frankly, are free at the moment to run their own agenda.
- Once fares are determined, there should be a public education campaign re the use of taxis. Many people are completely ignorant in this regard. This is long overdue.

Questions Answered (From a Driver perspective)

1. Finding fares: Where to look for fares very much depends on the time of day. In the early morning, especially Monday and Tuesday, many fares are available to the airport. These are either provided by the Network Service Provider (NSP) or, in my case, via private bookings. The middle of the day is usually quiet where suburban local fares are the norm. Mid to late afternoon demand generally rises either going to the airport or returning to home.
2. Using taxi ranks: I personally do not sit on ranks – I think it is a waste of time. I prefer to cruise around looking for hails or frequenting areas where I know from experience that fares will be available. As a general rule, I go where the people are and I don't wait for them to come to me. Drivers who elect to sit on ranks are in my view lazy as they are not optimizing the opportunities available to them. New drivers tend to fall into this habit. From my point of view, by sitting on a rank you are essentially entering a lottery. How long you wait and where the fare goes is indeterminate.
3. Melbourne Airport: Many cars find their way to the airport in the morning and many drivers elect to stay there in the rank. Smart drivers leave and look for more work, the lazy ones stay. This has the result of up to 700 cars waiting at the airport with a waiting time of around 2 hours. This suits me as the more cars that are tied up at the airport; the fewer cars are available to cover work in the suburbs. During the day, the number of cars waiting at the airport diminishes but ramps up around 3pm when the Peak Service Cabs (Green Tops) hit the road. The debate about "short fares" from the airport is a joke. There is no such thing. If you elect to sit there for hours you should be prepared for the consequences.

Summary

Thank you for the opportunity to make this submission. All of the above is fact not theory. The taxi industry is in crisis and stakeholders need certainty going forward. We do not need more cabs on the road; we simply need a fair reward for effort and our investment. Hopefully the review will be in place sooner rather than later. Fare modeling is in use in other States, why not seek their input? We don't need another Myki episode – the reinvention of the wheel. We simply need a resolution.

Greg Gilliver