

Victorian Taxi Association Submission on
ESC Unbooked Taxi-cab Fare Review 2020

This submission represents the views of the Victorian Taxi Association (VTA) and its members and should be considered separate to the needs of the metropolitan taxi-cab operators.

1. Different Approaches:

Market Outcomes: Given changes to supply levels, 95% increase in unbooked vehicles since September 2017, and 868% increase in total CPVs since September 2017, we believe it is impossible to use this model effectively. When you couple this with the current state of emergency and no one having any idea what the long-term implications are, supply and demand becomes irrelevant and therefore difficult to use. Perhaps the greatest argument for not using supply and demand however that it restricts competition. The VTA would have thought the whole point of deregulation was to encourage competition and increase service levels. By using the number of vehicles, or the level of demand to ascertain if prices should go up or down only rewards those providing the most basic of services, and discourages those who wish to offer a superior level of service and to be able to charge for that, currently they are limited in how much they can charge. Booked service providers are currently sitting outside passenger hot spots, night clubs, railway stations, shopping centres, safe ranks and shipping terminals, and effectively doing unbooked work and charging anything they want as they can create an instant booking when the passenger gets in the car.

There was no better example of this, than the fiasco at the Spring Racing Carnival, where a holding bay for Uber vehicles was set up and customers told to book an Uber, and the first placed in the queue picked them up. This was a prime example of ride share vehicles doing unbooked work at booked rates. This puts those being compliant at a massive disadvantage. If you do not believe this is happening, have a look at all the parked cars with people sitting in them in the Melbourne CBD. It is not just happening in Melbourne it is happening everywhere as CPV operators all scramble for survival, an 868% increase in service providers creates that sort of desperation.

Updating the taxi cost index: Why does such an index exist? Why does the government believe it appropriate in a deregulated market to limit how much profit an operator can make in ideal conditions? Currently other commercial passenger vehicle providers are not subjected to justifying their fares including regional and country taxi services, why are Metro and Urban taxis singled out? Can you provide an explanation for this? Again as stated above deregulation was brought to promote competition not limit profit. We have been through the pain of the market exploding now we are being told the maximum fare is to make sure we don't go broke by overcharging passengers and having them stop using our service. Why are Metro and Urban Taxis different from all other CPV providers including Regional and Country taxis? This is anti-competitive by nature and at worst discriminatory. An 868% increase in service providers is guaranteed to limit our profit and no consideration whatsoever was thought of before deregulation happened, so why is this a consideration now? If we are silly enough to overcharge ourselves out of business then the industry is better off with us out of it, so the good operators can take our place. With a more than fifty year operating history in most towns, unbooked service providers have an excellent track record of understanding their local market.

Review of the cost basket: For all the reasons previously stated we believe this would be a wasted exercise. You are trying to fit a new model of regulation and service delivery into the old way of setting fares. The passenger will determine the maximum through their patronage, anything else is attempted regulation by the back door. It is a strange position to be trying to regulate 12% of the CPVs operating and only up to 25% only (being unbooked work) is the work that 12% do. Deregulation has created a massive pool of options for passengers to choose from.

Keeping Fares Unchanged: We are not sure why anybody would think it is reasonable to not give drivers a pay rise after no rises have been granted for 6 years. Wages are based on the amount taken on the meter. This is not acceptable or fair for those who drive CPVs. With MPTP rebates being given to passengers based on the prescribed fare it is also unreasonable to not increase the subsidy given to those with no other option for transport other than to use a CPV. With this scheme being opened up to all CPV providers, booked and unbooked, no increase will limit the options these passengers have in selecting a service provider. The VTA believe this will place our urban members at a disadvantage from our competitors who will be able to attract drivers through their ability to adjust fares as they see fit. This again is anti-competitive and restricts our ability to compete for the same driver pool on equal terms because we cannot adjust a significant proportion of our fares in an effort to attract and even at worse, retain existing drivers.

Varying Fares by CPI: Once again at the risk of repeating ourselves we do not believe these fares should be regulated and predict the evaporation of this sector of the market as 88% of the service providers find easier ways of circumventing the inability to do unbooked work. If the sole purpose of these reviews is to set the MPTP rebate then we would recommend a catch up increase and then a simple CPI increase each year. This would at the very least recognise that our drivers are held in the same regard as every other Australian who benefits from indexed wages or

benefits annually. To not have an annualised increase infers they are not considered susceptible to everyday cost of living increases like the rest of the nation. Driver input has been ignored for way to long in these fare determinations and there could be a case to describe this as discriminatory.

Other Approaches: The VTA's preferred position is to not set a maximum fare but rather let the service provider determine the fare based on the level of service provided, the amount of work available, the incentive needed to provide a service in quieter times, or in other words based on normal business considerations. If this is not a consideration then at the very least set the maximum fare scoped at a level which enables the industry to be more competitive and allows us to attract and retain good drivers by offering a reasonable return and a more flexible fare structure or driver split as can be determined by industry and influenced by the market in real time.

2. What developments need to be considered?

Since the last review the full impact of deregulation has been felt with a massive increase in service providers. Whilst the biggest increase has been in booked work providers these people have found ways to operate in the unbooked market and will often wait in areas previously the domain of the traditional taxi-cab. The Regulator has also gone through a massive change of focus and is now very much focused on safety. This in reality has meant if a booked operator is doing unbooked work in a safe manner with no risk to the passenger, driver or public, this operator is not likely to be chastised, much less stopped, from this practise. With an 868% increase in vehicles and no increase in staff levels this is not going to change.

Taxi operators are now in a position to set their own booked fares. Unfortunately, due to the speed of changes in regulations over the last few years the dispatching systems have not been able to keep up. This means that should taxi operators choose to run two sets of tariffs (*booked & unbooked*) the only way a fare set can be chosen is manually by the driver. Human nature being what it is this will mean many instances of passengers being charged at the wrong rate. Dispatch manufacturers are frantically working on an integrated system where the meter will automatically detect if it is a booked or unbooked trip. This situation has effectively hamstrung taxi operators for the last 2 years in stopping them from being able to increase their booked fares. This situation should be resolved in the next 3 months however will lead to an even bigger issue.

Drivers inherently look to maximise their returns and as such will not bother to collect unbooked fares as they all know that passengers will get sick of waiting and then simply ring and book a trip. It is not a difficult to see this situation developing, equally it is easy to see a situation where passengers become more desperate to be collected and start running onto the road, trying to get into someone else's booked Commercial Passenger Vehicle, or doing outrageous stunts to attract

the attention of the driver. The safest and simplest answer is to let those in the industry set the unbooked fare at the same rate as their booked fares.

COVID-19 has seen many of our drivers stop driving and take up employment at the supermarkets, it is highly likely these drivers will not return to us given how little they earn, particularly during the quieter night shifts. Limiting the ability to increase fares to counteract this only adds to the frustration. Any fare adjustment needs to be balanced but again that will be our decision not something forced upon us.

3. Time & Distance verses Time or Distance:

The question has to be asked, why force this change onto the ad hoc sector of the market. By its nature those taking unbooked trips tend to be those who have not planned the trip but rather something has happened that they need a trip unexpectedly. The only way they can see how the trip will be calculated is on the fare label on the taxi window. Currently we have both methods available and operators can choose which method to use. The VTA believes that each CPV operator should have the ability to choose either option. We would contend that each taxi service provider understands their market best and should have the right to choose the option that suits their market. They are our customers and we are in best position to know what works best for them, if we get it wrong we go broke, if you get it wrong we go broke.

VTA Recommendations:

1. The taxi fare cost basket, along with the supply and demand model are both now outdated, antiquated, and based on a regulated market and should not be used in this current environment. It should be noted that the traditional option of recovering costs over more than one shift per day is no longer achievable as reduced driver supply for additional shifts is lost. Many of these drivers now operate over several platforms reducing the window for cost recovery.
2. That an immediate 20 % increase be applied as a catch up and to allow for increases until the next review. This will also enable booked and unbooked fares to stay the same for consistency. This will also enable MPTP card holders to have freedom of choice in whom they get to provide their transport needs, without it costing them more than half the fare. It also provides the flexibility for taxi operators to compete with other CPV service providers on a level playing field, by enabling taxi operators to increase or decrease fares as the market determines in real time. Currently the market can change and our competitors have the flexibility to meet these changes yet we are restricted which is totally anti-competitive.
3. That all future increases happen in line with Public Transport increases at the start of each year. This will at least recognise that all drivers are equal to every other worker who benefits from indexed wages or benefits. We are told by Government we are an integral essential service and part of the public transport network so this would be a more than

reasonable position to take. It also removes that political aspect of being unpopular for being responsible for adjusting fares. It is the intention of the Ballarat, Bendigo and Geelong urban fleets to increase booked fares in line with public transport costs each year.

4. That the idea of limiting the profit taxi drivers and operators can make in this industry be abandoned as flawed, given the way deregulation has flooded the market with operators. If a truly open entry industry is desired then you have to trust the market to abandon those who charge too much for the level of service they provide.

5. That Urban Zones be treated differently to Metro Zones. If the 20% increase is too great to apply across the State then apply it to zones outside of Metropolitan Melbourne to see what happens in traditionally stable taxi zones. Then review what the result has been against what you were hoping to achieve by making these fares regulated to decide whether the increase can be applied in Metro as well.
6. That the 20% increase be extended to country and regional areas so that these passengers get some relief from the increases due to the imposed Commercial Passenger Vehicle Levy compliance costs.
7. That Government (ESC) publish exactly why these fares are being regulated so that we can evaluate if there is another way of achieving that outcome. At this stage we are simply being told as per previous years that fares are regulated for our own protection, so that we don't put ourselves out of business, and that quite frankly is simply unwarranted. ESC should suggest to Government that Urban taxi operators be given the ability to set all fares in future in order to remove the anti-competitive nature of this regulation and enable the industry to compete on a level playing field.

Thank you for the opportunity to discuss our views and make this submission for consideration.

Yours sincerely,

Victorian Taxi Association
Stephen Armstrong
President