

# Australian Taxi Drivers Association

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... a fair share of a fair fare ...

## Taxi Fare Setting: 2013

The very challenging process of setting taxi fares in Victoria has commenced as part of the reforms designed to ensure that customers are the first priority of a service industry providing public passenger transport in taxis.

In the interests of passengers, to provide certainty and prevent abuse, the maximum taxi fares payable should continue to be regulated, and discounting of those fares should be at the decision, discretion and cost of the taxi operator. The taxi meter should at all times show the maximum fare payable. The maximum fare payable at any time of travel should reasonably reflect the operating costs involved in providing that service.

The fundamental problem is that current fares, or even fares adjusted for the last five years of general consumer cost increases, cannot meet the primary costs of taxi driver wages, taxi operating costs and taxi plate lease fees.

To date, the shortfall, of about \$80,000 a year, has been met by not paying wages to taxi drivers. But, taxi drivers are now considered by the Fair Work Commission to be employees, and must be paid wages as such.

The ATDA welcomes this opportunity to achieve its objective of .. *a fair share of a fair fare* .. to deliver value and value for money as a regulated maximum fare, and to maintain a sustainable industry capable of both making a commercial profit and meeting its legal obligations. As it stands, the Australian Taxi Industry functions on the exploitation of its workforce and on the continuance of a taxi driver earning significantly less than the Minimum Wage and without the payment of entitlements due to every employed worker, whilst continuing to spend up to \$30,000 a year on lease fees.

Fares can be set that will satisfy the passenger demand for value and value for money, but without structural change, or an unsustainable fare increase, the costs of supplying taxi services cannot be met.

Fares should be reasonably based on the costs of providing the taxi service, including a margin for profit, and reflect the operating costs of the vehicle and the provision of at least standard wages to the taxi drivers driving the taxi during normal weekday hours. Driving outside those hours should carry additional penalty / premium rate, reflective of extended, unsociable and potentially dangerous working hours.

It is possible to configure a multitude of fares, by time, by day and even by location. But the technical ease of doing so is more than likely to result in consumer confusion and suspicion. Simplicity is better.

Competition from other taxis and other transport modes should preserve transparency, and service quality.

There are three principal fare "periods" :

- I Weekday 6.00 am to 10.00 pm
- II Week nights from 10.00 pm to 6.00 am and Weekend days from 6.00 am to 10.00 pm
- III Weekend / Public Holidays from 10.00 pm to 6.00 am

The suggested fare structure is for a Flagfall of \$5.00, a Waiting Time Rate of \$90.00 per hour and a Distance Rate of \$2.00 per kilometre in Tariff I. This represents about \$3.50 per passenger kilometre on an average 7 km urban trip.

Our suggested premium is a + 33% night and weekend day tariff and a + 50% weekend night tariff on both Waiting Time and Distance rates, automatically shown on the taxi meter. The substantial increase in Waiting Time Rates will primarily assist the day driver so often caught in traffic, and now earning less than \$8.00 an hour.

Fares paid on this basis will effect, on current taxi usage patterns, a total revenue consistent with employed, full time, drivers earning wages of \$18.00 an hour in PI, \$24.00 an hour in PII and \$30.00 an hour in PIII, or of a wage equivalent on Commission, provided the fare surcharge goes to the driver. Casuals will get more.

However, this will only occur if the (non-operating) cost of Plate Lease Fee is significantly less than \$5000 a year. Operating expenses will vary by taxi type and are averaged for a standard taxi at \$50,000 a year, plus Fuel / Wash costs of \$25,000, based on a greater utilization.

If drivers are also to receive standard community employee legal entitlements, then it is necessary also to increase taxi utilization to 12 shifts over 50 weeks a year, and to increase occupancy to 15 paid passenger kilometres per hour or the equivalent 18 trips a shift, with an average fare of \$25.00 per trip or \$3.50 per kilometre.

If these changes are not implemented, the taxi industry is simply not viable or sustainable.

Booking fees should be discretionary and as advised to the intending passenger at the time of requesting a taxi. Credit Card Surcharges should be not more than 5%. All tariff surcharges on fares must be to the sole benefit of the driver, where there is a prescribed fare split.

The very real problem is that the current fare structure, the current level of utilization and the current passenger occupancy do not result in sufficient revenue from fares to meet the objectives of a fair fare, or even the legal minimum requirements.

The fundamental impediment is the level of Taxi Plate Fees paid by the Operator. If that is not "fixed", and reduced to less than \$5000 a year, the Industry remains unsustainable, financially and morally bankrupt!

Without those increases in utilization to 12 shifts a week, and to occupancy of 15 paid passenger kilometres per hour, the driver does not generate sufficient revenue for the Operator to afford to pay his legal obligations. Relying on fare increases alone is not an appropriate solution. It requires more trips and more existing cabs on the road.

It is not possible to legislate or determine these factors of utilization and occupancy, and the achievement of those criteria is the function of the taxi operator, of the luck and experience of the taxi driver, and of the resources made available. The obligations of an employer to pay wages and entitlements to the working driver should not, however, be a matter of choice. Operating expenses will vary, and the assumption is that additional costs for premium vehicles or services will be covered by additional usage obtained by a better vehicle being offered for hire.

The other side of the fare setting must be the acceptability of that fare as providing value for the taxi services provided. There will always be a desire for reduced fares payable by the passenger or intending passenger. There is an underlying assumption that current fares are correct and acceptable, countered by the fact of diminishing usage and, in Victoria, a long period without any fare increases.

The cost of providing a point-to-point service for one or two passengers by a single driver must necessarily be greater than the cost of a train or bus ticket; and even then full public passengers on those modes are subsidized. For taxis there is no subsidy outside the disabled transport schemes.

Economic theories abound of fare cost elasticity. Many make economic sense but most lack practical proof.

At best there is a short term downwards response to fare increases. At worst there is a transfer to other modes, but when required for a specific need, the average person still catches a taxi, and there is not a cost based decision. A large part of the problem is the not unreasonable expectation by passengers that they should pay only for the actual service provided.

That a taxi travels half of its kilometres, and about seventy percent of its time on the road, without a paying passenger, is not of concern to that user. It is however, of desperate concern to the Driver, and to an Operator conscious of his obligations.

The issue that costs of providing the service also include "downtime" must form part of the awareness and understanding of reasonable fares. It must also be made clear that the industry has a functional responsibility to improve utilization and occupancy.

In Melbourne the issue has been raised of a high cost of Airport Trip fares, and of a perceived need to reduce fares on longer trips. There is an alternative already available by Hire Cars or Shuttle Bus transport in which fares can be negotiated, or for a Network / Operator to now provide fare discounts. The ATDA would leave this as an Operator decision to control. There seems however to be little understanding of the “downtime” nature of waiting for a fare from the Airport to return to a likely area or obtain another fare, and the inherent costs involved.

The Lime Taxis model in Sydney by Macquarie Bank assumed that every shift would be at the level of a Friday, and that passenger demand would produce 60% of paid kilometres with an occupancy of 40%. In Sydney, the modelling proposed by IPART suggested that a fare decrease combined with an increase in taxi numbers at peak times would achieve an increase in productivity. As a model it might be so; in the reality of the streets it might not be so.

The problem is that on current utilization and occupancy patterns, the current fare structure does not provide a legitimately sustainable industry. It obviously is functioning, but only on the basis of its workers earning less than \$13 an hour in Melbourne, less than \$11 an hour in Sydney and less again in all Country regions. Fares would need increase to an unsustainable and unacceptable level merely to lift earnings to the level of National Minimum Wages.

To pay operating costs, fair wages, worker entitlements and current plate leases would double current fares. Simply not an option. With an achievable improvement in utilization and occupancy, and at the suggested fare of \$4.00 per pax km, taxi operators will be able to meet their obligations, but only if the lease fees are less than \$5000 a year. The solution is not only the responsibility of the fare setting regulator, it is also the responsibility of the drivers and operators.

The matrix is a complex one. It does not simply rely on maximum fare setting, but relies on significant changes to work practises and services provided. These changes are not capable of being mandated or legislated. They are structural changes to the industry, and require lateral and objective solutions.

As of September 13<sup>th</sup> a decision of the Fair Work Commission has made the unequivocal statement that a taxi driver is an employee in the employment of the taxi operator. As such there is no middle ground about the payment of wages, the conditions of employment or of the entitlement to Penalty Rates, Annual Leave, Sick Pay, Long Service Leave or Superannuation. In this fare setting by the ESC, and whilst bearing in mind that it is not to be a “cost and stack and divide” approach, there must be recognition, not of the “cost” but of the legal requirements and obligations of the employing taxi operator.

The two other major variables are Utilization and Occupancy.

It is impracticable for all registered taxis to be on the road at any one time, for maximum Utilization, but the observed data of only 70 % on road and of only 550 shifts a year needs be addressed. The often used reason of a shortage of drivers is actually a shortage of drivers willing to work a twelve hour shift for less than \$10.00 an hour.

There may not currently be the demand for taxi services which would require more cabs at all times, but nor is there the flexibility of meeting demand spikes as they can be predicted or as they occur. Only an “owner/driver” taxi model can provide that flexibility. The bailee model cannot. It functions on a taxi being bailed out for the full twelve hour shift and cannot meet sudden demand spikes. Logically, we need a single owner/driver model.

Traditional workplace devices and network despatch systems do not assist or optimise Occupancy. Having to be in the taxi, the taxi being vacant and in the area is neither efficient nor productive, as is now the case of Network Systems. The newly developed “apps” can provide forward bookings, and publish job offers direct to a personal mobile smartphone at any time or place. The difference in a Monday night occupancy to a Friday night occupancy may be only 10%, but the revenue differences can easily double hourly takings.

Whilst we cannot mandate a Monday into a Friday, we can improve technology to improve occupancy.

Multiple Hirings, or Share Rides, can lift fare earnings per trip by 50 %, but current attitudes and methodology need be changed. Again, technology is the solution.

The fear of drivers of assaults, evasions and unjustified complaints is a real impediment to maximising late- night services. Technology by way of improved cameras, audio and recordings to provide both passenger and driver security is that solution.

The expectation for passengers must be that presentable and efficient taxi services are available, with competent drivers and a safe comfortable trip as a standard, not a bonus. Publicity campaigns directed at both passengers and drivers is needed to boost confidence and usage. The opportunity to compliment and to complain must be present.

It is the view of the ATDA that uniform maximum fares, throughout the nation, are preferable to locality based variances. It always remains the option for an Operator to discount fares to suit local needs, but it should not be at the cost to a driver. The benefit passed on to the passenger is a business assessment by the operator to best fund his business, and should not be achieved by obliging taxi drivers to subsidize his decisions.

Other than by a display on the meter of the metered fare there is nothing to prevent a race to the bottom, and of third world haggling and abuse by both driver and passenger. A receipt for the actual fare paid against the fare payable retains transparency and fairness.

The ESC will also be looking at variant fare models – maxicabs seating five or more passengers – WATS fares – premium taxis – airport fares – mutiple hirings. Our comments are easily made :

Maxi-taxi fares should be a factor of 150% as the passengers are saving the cost of a second cab.

WATS fares should carry a \$20.00 lift fee payable, as it is, from industry fees.

The Subsidy for Disabled Passengers should be that a maximum of \$30 is payable by the passenger.

Premium taxis should be able to negotiate a booking fee at the time of a booking, and that premium taxis should have a ten year on road usage. There should not be a premium fare for a rank or hail taxi trip.

Airport fares should not be adjusted, but that the operators control over his employed driver, and payment of wages for time worked will provide adequate market controls over extending airport waiting times. The cost of being directed back to the city while vacant is a real cost to be reckoned.

Multiple Hirings should be encouraged and facilitated by technological improvements while providing a net fare savings of 25% to each passenger, and a benefit to the driver of an extra half fare.

Shared Ride Taxi trips are of benefit to the consumer passenger rather than to the driver, but the customer service provided is of long term industry advantage. They are to be encouraged when there is a shortage of available taxis.

Whilst the primary concern of our Association is for the drivers of taxis, that concern extends to both the bailee driver and the owner or lessee driver. Whether the model is that of a single owner/driver, or that of an Operator bailing out cabs to employed bailee drivers, it is still necessary that the full operating costs be covered from average fare revenue. There are current issues that the retained earnings by drivers, be they bailees or employees or self-employed or one-out operators, is significantly less than the National Minimum Wage.

Our concern is that the service industry which is the taxi industry cannot continue to be structured on its workers earning a third less than minimum hourly wages, and without community standard entitlements, and thereby effectively subsidizing a public passenger transport mode.

Our concern extends to proper provision of customer services, and the awareness that without satisfied customers there is no industry at all. Making it all better by no more than a fare increase is no solution at all.

The Essential Services Commission has advised that it will not set maximum fares on a “cost, stack and divide” basis, but on the basis of providing services which are of value and represent value for money. The viability and sustainability of the industry as a whole is to be a factor, and it cannot be reliant on the continuance of workforce exploitation. The task is to set fares which enable the taxi service industry to grow and serve the community.

## Taxi Costs

Setting taxi fares requires, as a starting point, reliable information as to the operating costs of a taxi. To set fares only on the basis of passenger expectations of, and requirements for, services is to address only one side of a complex issue. As complex again is to define the parameters of an average taxi. Not only are there a range of vehicles, with a range of years of usage, and a range of hours of operation and types of hirings, but also a range of locality and patterns of driving, and of ownership and bailment procedures. And a range of drivers.

IPART in NSW sought to develop a Taxi Cost Index, which initially purported to represent all significant cost items in total annual dollar terms. That concept developed into a selected “basket” of items and percentile movements derived from a series of indicators, with a once in five years refresh of surveyed costs. Over the decade of IPART’s involvement in NSW Taxi Fare setting the item within the taxi cost index and its attributed quantum value has varied from year to year.

As a prime example of this fluidity is the \$110,000 of Notional Driver Labour costs, plus self-funded and operator funded entitlements plus Driver Superannuation in 2011 becoming \$58,000 of drivers Wages in 2012. There has been no consistent or effectively usable data.

At best must be the logical assumption that average fare revenue covers average taxi costs with a margin for profit. Unfortunately, the calculation of average fare revenue is equally fraught, and equally unsubstantiated. The Fels Inquiry has calculated a revenue of \$150,000 as the basis of its further deliberations. IPART has \$160,000 as the current revenue base.

The major complication now facing the ESC is that the cost item of “driver wages” which has, up till now had been determined as 48% of revenue, soon to be 55% of revenue, or as the amount retained as driver earnings after deducting all other cost items from fare revenue, is now, following the decision by the Fair Work Commission, actual wages, entitlements and Superannuation payable under the Passenger Transport Award about equivalent to a gross 80% of fare revenue, and about \$130,000, on current usage.

Together with actual operating costs, however assessed, but, including Fuel and Wash, of at least \$75,000 a year, plus Plate Lease Fees of between \$22,000 and \$35,000, there will be a shortfall in excess of \$80,000. Even if, as has been suggested, the Plate Lease Fees are wholly excluded, the shortfall is \$50,000 per taxi. This has, in the past been simply resolved, by drivers obtaining a gross hourly earnings of about \$12.50 an hour, without even any entitlements or employer Superannuation.

The ESC cannot now bring into its calculations for sustainable and viable taxi fares, a structural base of costs contrived to effect a balance by significantly understating driver wages payable. That they are not being paid is evident. That they are payable is now equally evident.

Equally clear is that, on the current pattern of taxi operations, total revenue is not \$235,000. Equally clear also is that fares cannot increase to fund that level of costs, nor can desired increases in utilization and occupancy deliver that funding.

The issue for the ESC is that, absent Plate Lease Fees, can the industry itself so far improve both Utilization and Occupancy as to achieve equilibrium. The ATDA is of the view that a fare reflecting a charge of \$3.50 per passenger kilometre will achieve that equilibrium, and fund the payment of community standard wage and earnings equivalents to taxi drivers, assuming achievable improvements in Utilization and Occupancy.

As an initial part of the process, we call upon the ESC to publish, for public comment and input, its current version of the cost structure and of the overall structure itself, of the Victorian Taxi Industry.

In the Fels Inquiry Draft Report there is considerable data and comment on historical costs and revenue for the Victorian Taxi Industry, together with some suggestions that the information might not be fully reflective of the facts. Certainly there is a clear conclusion that, given current revenue and costs, the payment of wages would be unsustainable. There is very little information on current industry costs – and little comment on its absence.

The ESC 2008 Review ( Forecast ) noted as below , and the Fels Inquiry noted :

	ESC 2008 (all Victoria)	Fels Reports 2012 ( Metropolitan) Standard Taxi	Sydney IPART Comparison data 2012
Driver Payments	\$76,462	\$76,000	\$62,996
Vehicle Lease	\$7,137		\$7,222
Assignment Plate Lease	\$20,779	\$29,000 / \$30,000	\$31,737
New Plate Fees		\$20,000 / \$22,000	
LPG Fuel	\$16,114		\$16,004
Network Fees	\$7,038	\$7,000	\$7,231
Repairs, Maintenance & Tyres Cleaning	\$12, 994 -		\$6,770 \$3,324
Insurance & Registration	\$5,872		\$13,899
Office & Other	\$3,875		\$7,182
Total Cost	\$150,221		\$144,689
Total Revenue	\$157,971	\$152,000	\$165,997
Margin	5%		
Total Kilometers		125,000	108,000
Paid Kilometers		62,500	57,000
Revenue per Paid Km		\$2.43	\$2.96
Hours on Road Annual		5,700	5,709
Hours on Road Weekly		115	110
Driver Hourly Earnings		\$13	\$10.90
Average Trip		9.7km	7 km
Airport Trip		26.7km (13% \$ 30%)	
Other Trips		7.2km(87% \$70%)	
Average Fare		\$23.57	\$21.87
Average # Trips		6450	8639
Paid Passenger Kms ( fleet)		255.4m / 258m	

We would appreciate a more comprehensive analysis of the cost structure of a Standard Metropolitan Taxi :

These are our best estimates:

Driver Costs	
(12 shifts x 50 weeks)	
Wages (PTVA)	\$130,000
Annual Leave / Sick Pay	\$15,000
Long Service Leave	\$2,000
Superannuation	\$16,000
Uniforms	\$2,000
Total	\$165,000

Current Driver "Costs"	
48 % Fare Revenue	\$73,000
50 % Fare Revenue	\$76,000
55 % Fare Revenue	\$85,000

Non – Operating Costs	
Plate Lease Fees	\$30,000
New Plate Fees	\$22,000

Operating Costs	
Fuel	\$20,500
Wash	\$3,000
Insurances	\$14,000
Excess on Insurances	\$2,000
Vehicle Lease Payments	\$8,000
Maintenance Costs	\$7,000
Repair Costs n/c Insurance	\$2,500
Network Fees	\$7,500
Office & Administration	\$3,000
Registration	\$1,000
Return on Investment ???	\$ 0
Amortised Set-up Costs :	\$12,000 / 5 years > \$2500
Painting & Livery	\$5000 / 5 years
Security Systems	\$3500 / 5 years
Despatch Eftpos Systems	\$3500 / 5 years
Market Lease plus all costs	\$100,000 pa

## Efficiency

The ESC has the legislated objective of .. “promoting the efficient provision and use of commercial passenger vehicle services”, and presumes the setting of fares based on an efficient cost structure. It is necessary to first assess the cost structure as it has been presented, and then to determine if those costs are “efficient” and reasonable for the purpose of providing taxi services.

Taxi services which operate for 10 of the 14 available shifts, with an average occupancy of less than 30% of the time and for about 50% of the distances travelled, cannot be described as providing efficient services. There may be either too many taxis, or not enough jobs, or a reluctance to work a shift earning as little as \$5 an hour.

Or all of these factors.

The ATDA has already noted that the cost structure is confused and incomplete. At best it is no more than a statement that costs equal revenue, and revenue is about \$152,000 per standard taxi. At worst it is the summation of several monopolistically imposed charges, and of a percentage of the fare, which provide the driver with an average \$12 / \$13 per hour, plus the estimated actual operating costs.

A problem for the ESC is to both reduce to a verifiable and sustainable level the artificially inflated components, and to increase to at least the legal minimum the accounting for wages payable, as well as to confirm actual operating costs. That which is regrettably clear is that taxi services cannot afford to be provided, on their current basis, by employed drivers, on community standard wages and conditions.

At first instance the only possible efficient and legal solution is for taxis to be driven by a single owner/driver who has chosen to operate his taxi on an average earnings of \$13.00 an hour. If he chooses to work over 70 hours a week he may well retain a thousand dollars a week, but he will still be on \$13.00 an hour.

Taxi Plates and Taxi Lease Fees will become obtainable for \$22,000 a year. They still carry a market price of \$28,000 to \$30,000, and in our view, neither set of “costs” are efficient or reasonable. There is no good reason, other than for the continued and gratuitous protection of investors, for a taxi plate to carry any value. Classically the London Black Cab does not bear a license fee. There are a number of verifiable charges resultant from appropriate regulation and supervision, and these can be economically efficient expenses. But the impost of \$22,000 plus is absolutely contrary to the efficient provision of services.

Taxi Network Fees of \$7,000 may well have some justification, but none that has been substantiated. It appears that with the forthcoming non-mandatory network affiliation rules, there are already providers of the several services offering at half that price.

Insurance costs vary widely, and to correctly infer a particular average amount requires both examination and disclosure. In any event it is the performance history of operators and their drivers which account for the spread of charges. Clearly, the average cannot be on an accident free cab.

Vehicle Lease Fees, Repairs and Maintenance charges are reasonably assessable, but reliable data is required. There are a spread of costs arising from vehicle types, and truly efficient costs would vary if long life luxury vehicles were permitted a longer on-road usage.

Fuel costs are a variable, increasingly so with the usage of Hybrid vehicles, and there remains a grey area of average kilometres per taxi. Increased utilization will add kilometres – but where are the reasoned data or estimates ? To what extent should the ESC provide a formulae for fare increases or reductions based on variations to pump prices ?

Notwithstanding an examination by the ESC on these matters, and of the desired result of setting an efficient cost basis for the operational costs of the taxi service, the big issue remains. Broadly, it is not unreasonable to put the amount of \$50,000 on operating expenses, of \$25,000 on Fuel and Wash, and of \$5000 on the regulatory cost of Taxi Plates. \$80,000 per taxi.



These costs are relatively fixed, other than Fuel, for a taxi irrespective of its on-road usage. There will be minor variations from a 12 shift 52 week cycle, compared to the apparent current less than 10 shifts a week over no more than 50 weeks. The notion of “efficiency” would, or should, require better than 60% usage of the commercial resources.

The substantive issue is the wage or wage equivalent cost of providing the taxi driver for 12 shifts over 52 weeks. For the 6,250 hours on-road working activity of the more than two and a half taxi drivers involved in maintaining a taxi service, what is the cost ?

Is it to be the retention of a single owner / driver ? \$70,000 ?

Is it to be 48% of fares, and about \$13.00 an hour as a total payment ? \$85,000 ?

Is it to be 55% of Commissionable fares, and about \$14.50 an hour as a total wage ? \$100,000 ?

Is it to be Award Wages and Entitlements under the PVTA ? \$160,000 ?

As a responsible Governmental Commission is it possible for the ESC to make a maximum fare setting determination other than on the legally payable wage structure of employed taxi drivers ?

It certainly may account for other costs on market price efficiency, and about \$80,000 per taxi. But to have that cab on the road, with employed taxi drivers, will cost about \$240,000. A single owner /driver may choose to work for a lesser period, and might obtain an acceptable income within the current fare structure, occupancy and utilization. To pay Wages, Entitlements and Superannuation is a concept hitherto not part of the taxi industry. Now it is.

The participation by the industry in increasing utilization and occupancy, together with the recommended variation to a fare of \$3.50 per passenger kilometre will produce about \$240,000 in fare revenue – that is the only solution to providing efficient taxi services for the use of passengers.

It is a solution for which an increase in Utilization and Occupancy is significantly improved. It must be noted, as an anecdotal comment, for there is no available hard evidence, that such levels of activity prevailed a decade ago. Those changes are a function of the industry’s approach to Customer Service.

To simply say that the taxi industry cannot afford to pay wages, is to perpetuate its past, and current, failure to put “Customers First”.

Nor is it sufficient to promote the ‘non-employment’ model of a single owner / driver model. It is specious to claim a lower cost model simply because the owner is the driver. The ‘opportunity cost’ remains real wages payable and the cost input must be a mixture of \$18 for Day driving, and up to \$30 for Weekend Night shifts. An owner / driver will be more able to meet demand spikes than a whole-of-shift employee, or even of casual driver, but his need to earn a comparable income plus a margin on his investment must be maintained as part of the structure.

There will be issues that the level of demand for taxi services cannot sustain the presence of registered taxis on the road for 12 shifts over all 52 weeks. There will need be an effective driver roster which balances supply and demand, and that is the responsibility of the employer to manage his resources. It can no longer be at the cost and responsibility of a taxi driver to carry the risk of a ten or twelve hour shift and to go home with \$50 or less to support his family.

That is not efficiency, it is exploitation.

## Card Surcharges as a Fare Component

The Victorian Government has legislated for a maximum credit card / account card surcharge of 5% to be applicable to taxis, (and possibly, to all public passenger vehicles). The ATDA strongly supports this initiative, and notes that only in Victoria, through the interpretation of taxi fares being a controlled service, has the ESC the power to so set charges.

Clearly, such a charge can only, or should only, be levied on the passenger who chooses to use the facility of a non-cash payment. We believe that it would be inequitable to charge passengers for a service not provided, and that an amount or percentage added to all fares as a general charge is improper.

We note that of the various non-cash processing systems, only that [www.taxis.net.au](http://www.taxis.net.au) charges credit cards a 5% fee, inclusive of GST.

The problem which then arises is that the Federal Government's GST charge appears not, in the first instance to be specifically included or excluded from that 5% maximum mandated by the Victorian Government. If it is not included then consumers face an actual charge of 5.5% to cover GST on all other processors.

When the service is provided through a credit / debit card issued by Visa or Mastercard, or by an account card from American Express or Diners Club and other like facilities, or through a Bank provided *eftpos* debit card there is an additional 10% GST payable on the financial service fee component. On a Cabcharge Card, since Cabcharge is not a Financial Services provider, that additional fee cannot be charged.

If the interpretation is that, overall, for the consumer, the absolute maximum all inclusive, payment is 5%, then the position is clear for the passenger. Simply 5%

If the interpretation is that GST and Financial GST are additional, then a range of confusion results.

On the way, Cabcharge is effectively obtaining a windfall gain, if not an opportunity to price gouge consumers. Operators and Drivers receiving non-cash payments through their Network Accounts on a Network *eftpos* or directly from another *eftpos* provider are in for an accounting dilemma. On what basis do they account for the GST component and for the GST (financial services) on the cards processed ?

A complication arises in that Merchant Fees vary by type of card processed. At worst a driver who is his own service provider may well be paying a Merchant Service Fee of 5% to American Express, plus interchange fees of ten to thirty cents to his Bank, plus an annual fee as a merchant of a few hundred dollars. At best, the major provider, Cabcharge, gets a prime rate, low interchange and effectively insignificant annual fees. The notion of charging a fee to the end consumer of a "charge reasonably reflective of costs incurred" is effectively a remote concept.

A further complication is that most of the *eftpos* devices are incapable of calculating as the additional fee or fare payable other than with a whole digit percentage ( as the current 10%), and cannot calculate different percentages on different cards.

There are suggestions on foot that all surcharges should be met by the (driver) service provider, and that fares are all inclusive. Some suggestions (with which we disagree, as above) are to attach a general credit surcharge to all fares. Complications will develop further with issues as to who is providing the service, and who is obtaining the benefit. The issues of an employed driver and his accountability are relevant.

Can the ESC require, say, Diners Club, to limit the fees and percentage charges it imposes on taxi driver merchants. If not, this indeed, is a fraught area.

The solution needs input from many, and possibly more able than the ATDA, sources.

## The Wider Issue

The ESC's responsibility is to set taxi fares in the context of .. "promoting the efficient provision and use of commercial passenger vehicle services" and this presents a significant difficulty itself as the wider market includes Hire Cars, Shuttle Buses, Buses, Trains and Trams, some of whose fares are also regulated and some which are not.

In setting maximum fares for taxis, the immediate opportunity for, say the unregulated and cheaper to provide Hire Car or PBO, is to establish a benchmark under which they can advertise and offer comparable services. Is the ESC to be a part of a possible race to the bottom ?

To what extent will the necessary inclusion of the payment of wages, and provision of conditions and entitlements, to employed taxi drivers, simply price out of the market those services in favour of other unregulated commercial passenger vehicles. ?

The opportunity for a shuttle bus to offer point-to-point services to multiple passengers with a cost savings weighted against an extra time of travel, introduces a competitive alternative for the user and a significant loss of opportunity for a regulated taxi service. In a wider context, what direction is to be given an industry faced with very considerable regulatory conditions, and attendant costs, as well as the need to change its structure.

Many of the alternatives for extra patronage of public passenger services – shared rides in particular- are consistent with customer service and work against increased fare-paying occupancy. Certainly a shared ride with each passenger paying a set or proportionate fee is a partial solution, but remains a solution prone to argument and anger.

The ESC has no function in setting wages for taxi drivers, nor need it try to do any more than take account of the wages set by the Modern Award , Passenger Transportation Vehicle Award, 2010. What is must do is to set fares capable of meeting wage costs as well as operating costs. That is the major problem at hand.

In the coming months of open and transparent interaction by all stakeholders, we look forward with optimism to an outcome which addresses the issues and resolves the problems. We pledge our support and involvement.

Michael Jools

President ATDA

Monday, 30 September 2013