

CEO's Welcome

Welcome to the September edition of Transmission. Since the July edition much has happened.

The call for applications for the 200 conventional 10 year licences in the Greater Melbourne area has been completed with a uniform price of \$180,000 being decided. This equates to \$18,000pa or \$1,500pm. The real price is well above this (possibly even near double in some cases) because of the cost of borrowing the money.

The Government has picked up a cool \$36 million.

The result of the call for applications for the 330 WAT licences should be known soon. At a guess this could reap the Government about \$4 million per annum over the next 10 years.

In August, the VTA made two submissions to the Minister for Public Transport. The first called for changes to the regulatory framework around licence assignments, and the second called for taxi fares to increase by between 25% and 29%.

These two submissions can be seen in full and on the VTA website at www.victaxi.com.au, while extracts are printed in this edition of Transmission.

While you are on the VTA website have a look at the new events section.

Neil Sach | VTA CEO

Way Out West

At the start of Spring, as part of the VTA's one on one regional visits, I once again loaded up the Toyota Prius - more fondly known as Wol - and took to the road. This time I was headed to see the many good folk who reside out west.

Travelling almost 1300 Kilometres in four days, Wol and I traversed the Great Ocean Road, took to the Goldfields, headed over the Otways and under the foot of the Grampians stopping in every town and regional city where a welcoming yellow taxi was to be found.

As usual I found the trip both worthwhile and enjoyable. Not only was it great to sit down with VTA members and discuss new ideas and concerns, it was also a fantastic opportunity learn more about the individual environments that each of our country members work within.

As with other regional visits, one of the major concerns raised by western region members was the growing presence of community transport in country towns. Although frustrated and sometimes demoralised by the current situation, having dedicated one on one time with each member allowed us to discuss some of the obstacles in depth and think about different strategies to assist with moving forward.

One of the initial reasons for the western visit was to talk more specifically about the potential for contracted services in towns and regional centres. Again, many members voiced

their disappointment at the lack of Government assistance and regard for taxi services in their area.

While it was clearly necessary to discuss the current barriers to expanding taxi services, it was also a great opportunity to look at more progressive approaches that are being employed in other States, and think about ways that members can enter into contracted services without the assistance of State or Federal funding.

Another issue that was highlighted across the board was the need for country doctors to have a better grasp on the MPTP application process. Our member at Creswick canvassed the suggestion of an information session on the MPTP program for both local residents and doctors. The aim of the sessions would be to assist the community in understanding the program while also allowing eligible residents the opportunity to have their forms completed by a doctor on the day. This is definitely an idea that should be pursued in the future.

I would like to thank all of the western region members who took time out of their busy lives to sit and have a chat and I look forward to these visits becoming a more regular occurrence!

Marika Knight

VTA - Industry Stakeholder Engagement and Projects



Taxi Industry Regulation and Fares

Recently the VTA wrote to the Minister for Transport outlining its concerns with the regulatory structure within which the industry operates, and the level of fares and the way they are set. Set out below are key elements of the VTA's submissions.

Inappropriate Regulatory Settings

For some time the VTA has been expressing its concern regarding the taxi-cab licence assignment process, its failings and the serious consequences of this for the Victorian taxi industry. Of most concern to the VTA are the high licence assignment prices being generated by inappropriate regulatory settings and the impact this having on taxi driver and operator income, and the service received by the customer.

A cap on assignment prices

The Victorian taxi industry is a heavily regulated commercially funded section of Victoria's transport sector. The VTA has always, and continues to, support the regulation of the industry in key areas such as:

- The number of licences available to be operated
- The standards to be applied to service delivery, and
- The end price paid by the consumer.

After much thought, analysis and discussion with industry stakeholders the VTA has formed the view that any new Transport Act, or amendment to the current Act, must include a provision that gives the Minister (and the Minister alone) the power to introduce a cap on the value of licence assignments.

The Essential Services Commission (ESC) covered this issue at length in its 2008 Review of Taxi Fares. In that review, the ESC urged the Government to introduce a cap on the price of licence assignments to stop what we are now seeing – the exponential increase in the value of licence assignments. The ESC pointed out that fares cannot be simply lifted to offset these price increases because this would merely lead to a problem of circular economic rent.

While the VTA acknowledge the economic rationale behind the ESC's work, it is not satisfied that the industry should absorb the costs generated by inappropriate regulatory

settings. Given the taxi industry is funded by way of its revenue (as opposed to Government subsidized transport services) the VTA believe the price of the service must reflect the true costs of providing that service.

Blind trading platform

The current arrangement by which licences are traded and assigned is simply corrupt and price distorting.

It is well known that, as a part of the licence assignment process, cash payments and other forms of illegal and under the table payments are often demanded. To stop the illegal payments occurring the VTA believe the opportunity for the seller to demand the payment needs to be removed. The VTA propose this is done by introducing a blind trading system with a single broker – the Department of Transport.

Sub-assignments

The issue of sub-assignment of licences has grown in prominence dramatically in the recent past, largely due to pressures being created by soaring licence assignment costs and low industry revenue from an undervalued fare prices.

It has been stated that the existing Act and its subordinate parts, are not sufficient to deal with this problem. The VTA have urged the Minister to either amend the existing Act, or introduce stronger anti sub-assignment provisions.

Three year minimum assignment period

At present, each licence assignment period cannot extend beyond 3 years. This timeframe is completely out of line with the life cycle of a taxi vehicle. This means that an operator can be left with payments on a vehicle they are unable to operate as a taxi because they have lost the licence before that vehicle's life has expired.

The VTA is of the view that the two timeframes need to be brought much closer together. There are several ways this can be achieved, such as no specification on the period of the assignment, a minimum period rather than a maximum period, or a maximum period of 5 years.

The VTA's preferred option is to make the assignment period a minimum rather than a maximum of 3 years, other than under specific hardship provisions. This way the operator is provided an opportunity to negotiate more time and achieve greater certainty, while the licence holder is not forced to sign a contract where the mandated duration could be seen as unreasonable.

Mandated Bailment Agreement

The VTA is not in favour of a Bailment Agreement that mandates the commercial relationship between a driver and an operator. It is, however, supportive of a single written agreement determined by the industry and the Government which is to be used wherever an agreement of bailment is entered into.

The mandated Bailment Agreement would necessarily need to contain mandated conditions. The VTA believe these conditions should include, but not be limited to:

- Conditional indemnity for the driver
- Maximum number of hours permitted to be worked in a single shift
- Requirement that operators pay the WorkCover premium
- A section where the individual parties clearly set out the commercial relationship they are both entering into.

The agreement should also contain a default arrangement, where if the commercial section of the agreement is not completed but the agreement is signed by both parties, a default arrangement becomes the agreement.

Fares and the way they are set

The Victorian taxi fare rate sits at around 25% - 29% below that of NSW. The only justification for this could be that NSW costs are higher than Victoria, but they are not. In fact, VTA analysis demonstrates that the biggest cost to a taxi operator, the value of licence assignments, is significantly lower in NSW.

In practical terms, this scenario results in Victorian taxi drivers earning between \$7 and \$11 an hour. Australia's current minimum wage is \$14.31 per hour.

As far as the VTA is concerned this is completely unacceptable. In effect, the Victorian fare structure suggests that taxi drivers don't even deserve to earn the same as untrained students working part time to support themselves while they attend university and high school, or indeed be able to support a family.

Industry fare levels

As stipulated in the preamble, Victoria's taxi drivers earn between 25% and 29% less than taxi drivers in NSW. This situation has far reaching effects on the service the customer receives. In relation to taxi operators, the very marginal return has created a culture of extreme cost and risk avoidance. For drivers, it has created a lack of pride and disinterest in what they do. The VTA submit that this is not the fault of the individuals concerned, but rather an expected reaction to their financial situation.

The VTA is of the firm view that like any product or service, to some extent you get what you pay for. At the moment the Victorian fare rates mean that drivers and operators tend to be transient and always looking for a way out.

An appropriate fare setting model

At the heart of the discrepancy between NSW and Victorian fares is the fare setting model.

Like Victoria, NSW has an independent economic advisory body (IPART) which designed the fare setting model and administers it. The IPART model annually assesses of the movements in taxi input prices for 16 different cost components.

Unlike its Victorian counterpart, the Essential Services Commission (ESC), IPART adopted this approach some time ago - introducing specific taxi industry based cost model. The use of this model has led to consistent and sensible pricing of taxi services in NSW.

For a number of years now the VTA has been calling on the ESC to introduce a specific taxi industry based cost structure model so that costs unique to the industry are adequately accounted for.

The primary reason that the ESC gave for not implementing a model like this in Victoria is that is "costly" to administer.

The VTA would argue that the cost of not using an adequate price setting model is inordinately more expensive to the taxi industry and its constituent parts. Presumably, the increased costs the ESC allude to stem from the need to do industry surveys of taxi costs annually. The VTA reject this assumption on the grounds that surveys are relatively cheap and easy to undertake— particularly given the VTA's continual offers to assist in distribution and collection of such material.

The VTA have urged the Minister to request that the ESC develop a specific taxi industry based cost model. The VTA also submit that 2010 needs to see between a 25% and 29% increase in fares to make up for the fact that 5 out of the last 10 years has seen no fare increase.

Real taxi industry costs structure

In its 2007-08 Taxi Fare Review the ESC noted the lack of quality data on the Victorian taxi industry. They also noted the poor response from the taxi industry to a survey conducted on their behalf.

The VTA is in agreement with the ESC that the lack of quality data and the poor response from the industry was disappointing. At the time the VTA tried to inject more accurate data into the ESC investigation. The data the VTA provided (which was far more reflective of true industry costs) was largely ignored by the ESC, despite their acknowledgment regarding the poor return they received in regards to their surveys.

While the VTA share the ESC's disappointment with the lack of quality information provided with regards to industry costs, it cannot condone the ESC's approach of continuing to use misleading and inaccurate data to inform the 2007-08 review of fares. This has, in part led to the situation in which the Victorian taxi industry currently finds itself.

As the ESC stressed in its 2007-08 Taxi Fare Review report that more comprehensive and reliable data must be collected in regards to the costs of operating a taxi(s). It is unacceptable to the VTA that fares are based on data that is simply convenient for the economic regulator. As it has said in the past, the VTA stands ready to assist in delivering the required data relating to operating costs should it be asked.

Concluding comments

The VTA submit that there is a strong relationship between customer service levels and job satisfaction. The taxi industry is being failed on a number of regulatory levels including the most basic, **fair reward for effort**.

The VTA believe that this is not the intention of the current State Government. The VTA have sought urgent and meaningful dialogue with the Government to fix the ailing regulatory structures and ensure drivers and operators are fairly remunerated.

For some time now, the VTA have been told by Government representatives that it will not act unless there is a perceived benefit to the customer or the public. While the VTA is happy to work with the Government to achieve better outcomes for the public, the VTA also believe the Government has a regulatory obligation to the industry.

VTA Meeting with VTD Compliance Team

A number of compliance issues have been brought to the VTA's attention over the recent weeks and months. In an attempt to clarify the issues and get a better understanding, a meeting was arranged between the VTD's Compliance Management Team and VTA representatives.

As part of their ongoing program, the Compliance Unit have carried out vehicle checks at, or near the premises of several major Melbourne operators. The VTA acknowledge the right of the VTD right to carry out such checks. However, there were a couple of points the VTA wished to discuss. These included, defects being issued to vehicles returning to the operator to rectify an existing and identified problem, and to ask the question, when the VTD inspection teams are set up directly outside the operator's premises, why they were not notifying the operators of their presence.

Another issue discussed, related to taxis receiving a defect for a minor issue and also receiving a "Notice of Unroadworthiness" (NOU). The VTA were concerned that a minor incident was often leading to major impact on the car's availability to service the community. The VTD advised that minor defects such as blown bulbs should be served with a VTD internal rectification notice only, this will be reinforced with all relevant VTD staff.

The VTA asks that if you do have any concerns regarding an infringement you have received to contact us. Of course, it is paramount that you have evidence such as defect notices, letters, infringements notices etc to support your claims – we can't act on the story alone.

The VTA will continue to meet with the Compliance management team on a regular basis and thank them for their time.



Report on Taxi Issues at Melbourne Airport

Mention "Melbourne Airport" to most people in the taxi industry and eyes will inevitably roll back and may even be accompanied by an audible groan. For too long now the airport has been ignored, and the VTA felt it was high time the processes at the airport were reviewed. To put it bluntly, they are not working.

It is easy to assume all the issues at the airport are simply caused by inappropriate, and at times unsafe, practices by drivers. That would be dramatically over simplifying the situation. Generally, if people are allowed to get away with something they will continue to do so and this very much appears to be what is happening at the airport.

To put some science behind what is happening at Melbourne Airport and what can be done to improve the situation, the VTA spent a lot of time visiting "hotspots" at the airport, talking to drivers, talking to kerbside staff, talking to patrons and observing taxi movements. To compliment this, VTA visited Sydney airport to learn about new technologies and processes they have implemented in the last few years.

While talking to Sydney Airport Management, it became apparent that the improvement in driver behaviour can be traced back to the introduction of new processes and technologies. The VTA understands that while simply applying the same processes and technologies present at Sydney Airport won't solve all the problems, it might go some way toward a more productive arrangement.

The VTA have now finalised a report outlining our findings and recommendations. Copies of the report have been forwarded to Melbourne Airport, the VTD, Federal Police, and key industry stakeholders.

Runners and Non-Payers

The VTA continues to hear stories of drivers asking for Police assistance where a passenger refuses to pay the fare and the Police Officer intimates or directly states, that such an offence is a civil matter.

This is quite wrong, and amounts to the Officer failing to do his/her duty.

The reality is that this situation is covered by regulation 43(5) of the Transport (Taxi-Cabs) Regulations 2005, which states:

"The hirer of a taxi-cab must pay in full the fare and any additional charges for the hiring at the termination of the hiring unless the operator or the driver of the taxi-cab agrees that payment may be made at a later time. (Penalty: 10 penalty units)"

10 penalty units currently equates to \$1194-50, and is the maximum amount a Court can impose.

Fortunately, the legislation acknowledges the prohibitive cost of going to Court for all involved, and allows a Police Officer to issue a Transport Infringement Notice to the hirer of the taxi who has failed to pay.

This offence is Item 216 in Schedule 3, Table 8 of the Transport Infringement Regulations 2010, and carries a penalty of 2.5 penalty units (equates to \$298-63 on-the-spot fine).

So if a Police Officer you are seeking assistance from states that fare evasion is a civil matter, you might politely remind the Officer that an on-the-spot fine described above can be issued.

It would be interesting to see if the passenger would prefer to pay the fare or the fine.



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