



Submission to the Essential Services Commission review of taxi fares 2008

Submission prepared by Victorian Taxi
Drivers Association (VTDA)

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Introduction and executive summary

The Victorian Taxi Drivers Association is an independent, taxi driver led organisation committed to providing a voice for all taxi drivers of all backgrounds and ethnicities. Our association, founded in the wake of driver actions and protests in 2006, works hard to ensure a safe and fair environment for taxi drivers. The association has a current membership of 700 active drivers.

Our submission will cover not only the interests of drivers, but recommendations to improve the quality of service to low-income and elderly passengers, and passengers with disabilities, currently not adequately serviced by an industry without a strong voice for either drivers or passengers.

This submission will cover the key ESC recommendations regarding:

Deregulation

Fare structure/Fare levels

Driver remuneration

WATs

Safety

Training

Other issues relevant to the review

The VTDA argues that the ESC has presented a weak case for deregulation, and that its proposals will actually exacerbate, rather than ameliorate, the problems it identifies in regards to customer satisfaction, waiting times and service standards to wheelchair passengers. Our submission will identify these shortcomings and present more effective solutions. The submission also addressed some supplementary considerations about industry structure for the ESC's consideration.

Summary of recommendations

That the ESC recommends to the Minister an increase in the flagfall to \$10

That deregulation of licenses be rejected as an option by the ESC because available evidence suggests it will have a detrimental impact on driver wages and service quality.

That the ESC make recommendations to the Minister that include the regulation of bailment agreements and investigation of the use of other industrial relations mechanisms to improve driver income.

That the 50:50 split be mandated as a legal minimum of remuneration for drivers in bailment agreements.

That the lifting fee for WATs must be increased to \$25. This will encourage drivers to prioritise wheelchair work.

The recommendation to increase the number of WATs in the fleet should be rejected as it will do nothing to increase the efficiency of the current WAT system.

That Worksafe continue to work closely with the VTDA come up with more effective recommendations to improve driver safety

That driver training include a minimum of 25 – 30 hours of in-car, simulation training.

That RTOs need to be genuinely independent of taxi companies and networks.

That Training involve reassessment after a specified period between 40 and 80 shifts.

That the ESC explore the need for a genuine insurance company not just the independent taxi clubs

That the ESC recommend the regulation of license fees between operator and license holders to ensure the fair distribution of revenue

That the ESC recommend the regulation depot fees between the operator and networks to ensure the fair distribution of revenue

Deregulation

The ESC interim report argues that deregulation is the ideal way to address many of the identified issues in the report.

The examples of deregulation presented seem to offer a mixed report card on deregulation at best. It is not entirely clear from where the Commission's information on the benefits of deregulation is actually obtained. But the enthusiasm of the ESC for deregulation is not echoed by drivers.

The ESC interim report suggests that driver remuneration, customer satisfaction and other performance indicators such as availability would be improved by staggered deregulation. The VTDA would suggest that in fact deregulation is not going to improve customer satisfaction, and it will certainly not improve driver remuneration.

The impact of the release of 500 peak licenses (100 to be released this year) has already been to reduce driver income by an estimated 10%¹, yet not improve customer satisfaction. Deregulation in other jurisdictions does not give drivers much confidence. All available evidence points to deregulation efforts actually decreasing customer satisfaction and service quality.

Kang's 1998 comparison of taxi deregulation in 9 countries indicates that in most cases, deregulation resulted in a lowering of driver wages, and in almost all cases a reduction in quality.²

The ESC's own examples demonstrate that deregulation did not in all cases result in lower fares, such as in the Netherlands and some places in New Zealand. The consistent theme in all of these reports, both Kang and the ESC, is that what is required is better quality regulation – and that in fact rapid deregulation has such a drastic effect on driver quality that better quality regulation was required. Therefore, the VTDA believes that it is this aspect of international comparisons that must be highlighted, not the ideologically driven commitment to deregulation that has had such disastrous effect on driver wages and quality in all jurisdictions in which it has been implemented.

¹ VTDA survey of members

² Choong-Ho **Kang** (1998), *Taxi Deregulation: International Comparison*, PhD Dissertation, Institute for Transport Studies, The University of Leeds (www.taxi-1.org/kang0898.htm#c3), last accessed 8th July 2008

The ESC suggests that increasing the number of taxis on the road will supply a better peak demand service and improve customer satisfaction. However international experience of taxi deregulation does not accord with this experience.

On the Department of Transport "Taxi and hire car reform" website, the following statement can be found:

*The option of industry deregulation was discounted after examining other systems around the world where wholesale deregulation had been introduced but for the most part had failed. The review, though, did discover that the structure and focus of the Victorian taxi and hire car industries at the time had significant room for improvement.*³

The VTDA supports the Department of Transport's position that deregulation has been a failed experiment in other jurisdictions. With this in mind, the VTDA would like to address the substance of the recommendations from the ESC in regards to fare structure, driver remuneration and the facilitation of a high-quality service for passengers with disabilities.

³ "Taxis and hire vehicles – taxi and hire care reform",
<http://www.taxi.vic.gov.au/DOI/Internet/vehicles.nsf/AllDocs/DCBFD3D4FE EA95A2CA256F320020D5A2?OpenDocument>, last accessed 6th July 2008

Fare structure/Fare levels

The ESC recommends an increase in the booking fee, "to cover the direct attributable costs of servicing a booking", in which the ESC includes the risk of "no job".

The booking fee is currently \$1.40, and the flagfall fee \$3.20. The ESC insists that there must be "revenue neutrality", and therefore they propose a reduction in the flagfall. This proposal would reduce the income on half of a taxi driver's work by 80%. By increasing the booking fee, but reducing the flagfall, driver incomes are guaranteed to decrease.

As the Victorian Council of Social Services have raised in their submission, the needs of the low-income, disabled and socially isolated must be considered in industry restructuring and fare increases.

Low-income people and the disabled deserve a range of affordable and efficient public transport options – after all, the taxi service is just one aspect of the public transport industry. **As VCOSS has pointed out, the flagfall must reflect the cost to drivers, and must be incentive enough to ensure consistent and accessible services for low-income people.**

The VTDA was of the understanding that the ESC understood that short fares were currently not covering their cost. On 29th January 2008, at the Melbourne public meeting of the ESC, the ESC acknowledged that short fares currently do not justify their cost.

Short fares are extremely problematic for taxi drivers. Often drivers will refuse a short fare, either a booked fare or a street hail, because the remuneration for effort is so low. This creates frustration for passengers and artificially inflates customer waiting times as well as creating conflict between drivers and operators.

Yet for the elderly, single mothers, and other socially isolated or otherwise disadvantaged passengers, other forms of public transport are not sufficient and taxis provide a vital lifeline to community activities such as shopping, childcare, and access to income support.

The easiest solution to this problem is to recognise the financial disincentive that exists for drivers to undertake short trips and to increase, not decrease the flagfall. This will increase the responsiveness of the industry to the needs of the low-income and

socially isolated, such as young single mothers, and the elderly. VCOSS correctly identifies that taxi drivers are also low-income people, and it should be noted that the needs of low-income people cannot just be met by artificially depressing driver wages through a reduction in flagfall.

This recommendation also takes into account that short trips will likely increase, not decrease, as a proportion of total trips with the ageing of the population, and that pricing paths and fare structure must anticipate this challenge to ensure driver's wages do not fall further.

Increasing the flagfall, and thereby increasing the responsiveness of drivers to short trips, will also reduce customer waiting times, and provide a better picture of the true availability of taxis across the state.

The VTDA is not asking for a fare increase. We want a higher flagfall that incorporates a time and distance formula that actually reflects the cost of short trips.

RECOMMENDATION: That the ESC recommends to the Minister an increase in the flagfall to \$10

Driver remuneration

Driver remuneration is comparatively the lowest in Australia, particularly if one accepts, as the VTDA does, the Commission's 2005 estimate of driver income as a more accurate reflection of driver income than the PWC survey. The sample and response size of the PWC survey are far too small to outweigh all other evidence that driver wages are well below the PWC estimates. We would question the methodology and the sample size of this survey, particularly in respect of the incomes of the night-time drivers and newer drivers. The Commission, in 2005, came up with significantly different figures of \$7.50 - \$8 as an estimate of average driver income. The VTDA knows that the PWC does not reflect the incomes of its members, which are much closer to the \$7.50 figure. There is consensus amongst drivers and operators that this is the case.

We are concerned that these two bodies can come up with such different figures.

In fact, the VTDA would argue that in the three years since the Commission came up with their figures, bailment agreements have begun to shift away from the traditional 50:50 split, actually decreasing, rather than increasing, driver's wages. Anyone driving in the industry knows that there has not been an increase of this size in driver income - in fact, particularly for those subject to bailment agreements, their wages are likely to have decreased. Indeed, some drivers have noticed an even more disturbing trend towards completely unregulated fixed pay-in agreements resulting in inexperienced drivers working incredibly long and dangerous shifts for very low returns.

The VTDA supports the regulation of bailment agreements.

If indeed the commission is concerned with the "weak bargaining position of drivers" then the regulation of bailment agreements will ensure that drivers are protected.

It is evident that drivers have very little bargaining power because of the huge labour pool of potential drivers, limited industrial rights of many new entrants to the workforce (i.e 20 hour work restriction on international students), and other factors such as a very limited history of collective representation of driver's interests in inquiries such as these.

The 50:50 split is coming under enormous pressure precisely because of the limited and ever-shrinking bargaining power of drivers. The ESC

also suggests that the facts relied on in the federal court determination that bailee driver's are not in an employment relationship with operators may no longer apply, acknowledging that bailee drivers relationships with operators and networks is one where they are subject to a much higher level of control than acknowledged or anticipated by the Federal Court.⁴ The VTDA agrees with this assessment of current conditions for drivers.

The introduction of 500 peak licenses, 100 of which will now become conventional licenses, has already had a huge impact on driver incomes. Further deregulation, as the available evidence from Kang demonstrated, will make it very difficult to maintain quality. With such uncertainty as a flood of new licenses would create, the experienced drivers will attempt to exit the industry, which will then be further dominated by inexperienced and easily exploitable new entrants, such as is already the case with the influx of international students into the industry. While the ESC says that Kang's report is "only one view of how the industry would perform in a deregulated environment", it has the benefit of being a comparative analysis of actual deregulation in 9 countries – this is more information than the ESC has provided to support its claims about the benefits of deregulation.

As the ESC acknowledges, the surplus supply of relatively unskilled drivers weakens the bargaining position of drivers.⁵ There are too many drivers available, not too few. The operators can exploit drivers because there are plenty of them – and in particular a large reserve pool of labour made up of the international student population, who have limited labour market options thanks to their visa restrictions.

For this reason, the VTDA would very strongly argue against the introduction of more licenses, or reducing entry restrictions in such a way as to flood the market with new licenses. There is not enough work already to justify this increase, and the proposed introduction of 300 WATs will only exacerbate this situation.

Instead, if the ESC is serious about improving driver remuneration, the VTDA suggests that bailment agreements must be regulated. There must be legislation to protect the driver share of the bailment agreement from slipping below 50%. In addition, fixed pay-in agreements, where they exist, must be very strictly monitored to protect new and naïve drivers from exploitation. The commission

⁴ ESC interim report Pg 133 and 134

⁵ ESC interim report Pg 147

should recommend that such agreements are strictly regulated by setting maximum shift pay-in amounts.

The reality of the vast majority of the Australian workforce, is that they are covered and protected by an advanced industrial relations scheme incorporating awards and collective agreements. Taxi drivers, whom the commission and the VCOSS identifies as workers in a weak bargaining position and some of the lowest paid workers in the country, need the industrial relations protections afforded to other workers.

Recommendations:

That deregulation of licenses be rejected as an option by the ESC because available evidence suggests it will have a detrimental impact on driver wages and service quality.

That the ESC make recommendations to the Minister that include the regulation of bailment agreements and investigation of the use of other industrial relations mechanisms to improve driver income.

That the 50:50 split be mandated as a legal minimum of remuneration for drivers in bailment agreements.

WAT cabs and the Disability Standards

There are currently approximately 367 wheelchair accessible taxis in the fleet, and the ESC proposes an extra 300 WAT licenses apparently as a mechanism for meeting the government's the Disability Standards.

However, the ESC acknowledges that the vast majority of existing WATs are actually undertaking non-wheelchair work.⁶

The increase in WATs seems calculated to increase the number of cabs on the road, as part of the ESC's commitment to increasing taxis – a Trojan horse for deregulation.

The ESC recommendation to increase the number of WATs does not in fact address how they would ensure that these extra cabs do not just end up at the airport, a reality acknowledged in the VCOSS submission, and confirmed by VTDA members.

Instead, the government's *Accessible Public Transport In Victoria - Action Plan 2006 – 2012* states that improvement in response times, including developing an effective mechanism for actually monitoring response times, is the most effective method for improving services for wheelchair passengers.

The plan, released by former Public Transport Minister Peter Batchelor, details complications with measuring response times for WATs in relation to regular cabs:

A lifting fee of \$10 is paid to the driver who assists the passenger to load and fix the restraints and seat belts, and the meter is not switched on until the driver is ready to depart. This complicates measurement of response times for WATs in comparison with regular taxis in Victoria, as required under the DSAPT.

The document goes on to say:

The fleet is meeting present demands. It is therefore not proposed that peak licence taxis, being introduced as part of the Government's

⁶ ESC interim report, pg 188

*taxi and hire car reform, will be wheelchair accessible. This situation will be closely monitored.*⁷

The VTDA supports the contention that there are actually sufficient WATs in the fleet, but that the problem lies in the efficiency in how they are allocated.

Increasing the number of cabs does nothing to address the built in disincentives identified by the Victorian Human Rights and Equal Opportunity Commission (VHREOC) in their report "Time to respond: Realising equality for people with a disability using taxi services".⁸

This VHREOC report outlines the incentives built into the dispatching system for WATs to encourage drivers to take longer to respond to a job. These perverse travel and time incentives must be abolished.

VTDA members take very seriously their obligations towards passengers with special needs and believe that government must match our commitment by increasing the lifting fee to a more suitable level. After all, the taxi network is effectively a stop-gap, trying to fill the gap created by the lack of progress on the government's commitments in regards to the construction of low-floor trams that would enable wheelchair passengers to make full use of the existing tram network.⁹ The compliance standards for tram infrastructure and vehicles are not expected to be met until 2032. Until such time as these standards are fully realised, the taxi network must be adequately supported by government to make up this shortfall.

The lifting fee for taxis must be increased to truly reflect the amount of time it takes a driver to properly secure a wheelchair in a cab. Not only will this provide incentive for drivers to prioritise wheelchair jobs rather than line up at the airport looking for a long fare, it will also

⁷ Accessible Public Transport In Victoria - Action Plan 2006 – 2012, pg 45, [http://www.transport.vic.gov.au/doi/doielect.nsf/2a6bd98dee287482ca256915001cff0c/db09215841890e3eca2571f0000b2760/\\$FILE/Accessible_Public_Transport_2006-2012.pdf](http://www.transport.vic.gov.au/doi/doielect.nsf/2a6bd98dee287482ca256915001cff0c/db09215841890e3eca2571f0000b2760/$FILE/Accessible_Public_Transport_2006-2012.pdf), last accessed 8th July 2008

⁸ VHREOC, Time to respond: Realising equality for people with a disability using taxi services", November 2007, pg A-15 <http://www.humanrightscommission.vic.gov.au/pdf/TIME%20TO%20RESPOND%20-TAXI%20REPORT-%20NOVEMBER2007.pdf>

⁹ Accessible Public Transport In Victoria - Action Plan 2006 – 2012
pg 6

improve other concerns raised in the VHREOC report about a significant proportion of passengers with disabilities feeling as if they have sometimes been improperly secured in the vehicle.¹⁰

The VTDA is certainly open to suggestions for improving driver training in this area but we would argue that drivers must be provided with an incentive to take the time and care needed to safely and comfortably secure wheelchair passengers. The \$10 lifting fee is simply not adequate to provide incentive for drivers to respond as first priority to a wheelchair job, in the first instance, or to take the time and care needed to attend to the special needs of passengers in wheelchairs once at the job.

Recommendations: That the lifting fee for WATs must be increased to \$25. This will encourage drivers to prioritise wheelchair work.

The recommendation to increase the number of WATs in the fleet should be rejected as it will do nothing to increase the efficiency of the current WAT system.

¹⁰ VHREOC report, pg 18

Safety

There is another factor affecting taxi availability and customer satisfaction that is ignored in the ESC report, and which makes a mockery of the ESC's inference that there are significant "non-pecuniary" benefits that accrue to drivers:¹¹ driver safety.

The actions taken by drivers on the 29th and 30th April 2008 outside Fliinders Street station were an outpouring of grief and the fear felt by night shift drivers every time they get into their cabs. The reality is that some drivers are currently working in an atmosphere of fear and suspicion of the public they are supposed to serve.

Worksafe instructions to drivers include such advice as picking up passengers from safety ranks (of which there are very few) and other impractical suggestions such as not picking up passengers from "risky locations", or "choosing" your network based on knowledge about their security systems.¹² Taxi drivers are simply not in a position to either properly assess this information, or to make a "choice" between the main networks. If this advice from Worksafe were to be followed, entire suburbs would cease to be serviced by the taxi industry and customer waiting times would increase and taxi availability would massively decrease.

Taxi drivers feel unsupported by industry bodies, misunderstood by WorkSafe, and undervalued by police when they report assaults.

The ESC must see an integrated safety strategy as integral to improving customer satisfaction and waiting times. The human capital of the industry is currently feeling battered and bruised by an increase in licenses, constant assaults from a small minority of passengers, and abuse from the media. The ESC must understand that customer satisfaction cannot improve while drivers are poorly remunerated and feeling unsafe. Overworked and underpaid drivers are less likely to care about the experience of their passengers and more likely to be very narrowly focussed on getting home alive.

Recommendation: That Worksafe continue to work closely with the VTDA come up with more effective recommendations to improve driver safety

¹¹ ESC interim report pg 136

¹² "Safety in the taxi industry – for drivers" Worksafe publication, edition no. 1 July 2007

Training

The VTDA supports improved driver training. Increased driver training alongside improved driver remuneration will make for a more responsive taxi service.

The 115 hours currently provided needs to be skewed to provide a greater proportion of in-car and simulation training.

However there are structural problems with the existing training regime. The RTOs that deliver the training are controlled by organisations representing the interests of plate-holders; taxi companies, and other entrenched powers of the industry.

Recommendations:

That driver training include a minimum of 25 – 30 hours of in-car, simulation training.

That RTOs need to be genuinely independent of taxi companies and networks.

That Training involve reassessment after a specified period of between 40 and 80 shifts.

Other issues

The VTDA looks forward to discussion with the Minister and the ESC in regards to some of these other recommendations for improving the industry.

Recommendations

There is a need for a genuine insurance company not just the independent taxi clubs

Regulate license fees between operator and license holders to ensure the fair distribution of revenue

Regulate depot fees between the operator and networks to ensure the fair distribution of revenue

Summary

As we have previously demonstrated, there are more effective and efficient mechanisms to reduce waiting times and increase customer satisfaction such as:

- increasing the flagfall, thereby removing the incentive for drivers to refuse fares for short jobs
- increasing the lifting fee, to improve response times for wheelchair jobs
- improving driver remuneration
- improving driver safety
- improving driver training

A professional, efficient and customer responsive taxi network can not be purchased on the cheap. We look forward to ongoing discussion with the ESC and the Minister on implementing the VTDA's recommendations, in order to build the safe, clean, professional industry that passengers and drivers alike are crying out for.