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Education: Tertiary (Industrial Chemist)

Experience:

- Started my career as a taxi driver when I was studying
- Became an owner driver
- Then started my own taxi company which I have had for the last 35 years
- Served on the board of several taxi companies, (Eastern Group Taxis, Regal Taxis, Black Cabs)
- 45 years experience in taxi industry

Submission to Essential Services Commission, Taxi Fare Review 2016, Consultation Paper, December 2015

Firstly I would like to congratulate the ESC on doing a good job in the March 2014 fare review, especially with respect to breaking the nexus between Lease Payments and Taxi Fares. The Fare Increase was appropriate and would have helped the Industry to give the consumer a fair deal.

The implementation of the Fels inquiry by the Government can be described as a huge failure with respect to its objectives to give the public a superior Taxi Service.

New Government laws and regulation that were introduced have not led to a better Taxi Service; on the contrary it led to the bankruptcy and closure of some businesses in the industry and failed to improve the service to the Public.

The decision by the Government to issue another 600 licences and mandate a 55/45 split of the fare negated most of the good work. The 600 new cars that were added to an already oversupplied market affected the whole Industry, whilst the 55/45 split only affected about 15% of the fleet, namely Fleet Operators.

The ESC was and is correct in saying, that as long as the income pie is sufficient in size to support the Industry it should be up to the Industry and not the Government to determine how to divide the pie. It should be up to the Taxi Industry to recommend minimum splits between drivers and operators so that competition between operators can take place.

There were three decisions taken by the Government that had a detrimental effect on the Industry.

1. The introduction of the knowledge test, a test that was designed not to test knowledge or competency but failure, as evidenced by the greater than 98% fail rate. By making it compulsory for all drivers that held their licences for less than 5 Years it had the result of removing drivers from the Taxi Industry and forcing them to find alternative work. Many of these drivers now work for Uber, a multinational company that treats our laws with disdain and is not here for any other reason than to feed the greed of Wall Street and Silicon Valley billionaires.

2. The issuing of 600 additional licences, into an already oversupplied market, negated most of the fare increase for both the drivers and the operators. The patronage of taxi users did not increase and the total available pie shrunk by about 11%. The two main beneficiaries of this action were the Government and the NSP's. The Government had a financial windfall of \$12 million, and the NSP's of about \$3 million per year. The regulator of any industry should always act in the interest of the Public. In this case, I cannot see where the public benefit for the Consumer is.

3. The fare increase of 12.5 % that Taxi Operators received in March 2014 was taken away and given to drivers in June 2014, by the Government mandating the 55/45 split between driver and operator. This meant that operators did not get a fare increase at all, and in fact it resulted in a small reduction. I can only assume that the statement made by the ESC that they accounted for the Government mandated split, meant that they understood that the operator would not be the beneficiary of the increase and that operators would be replaced by 'Owner drivers', which leased Government Licences. I will leave it to others to ponder this action and comment on it.

4. Fleet operators represent only a relatively small, but important part, of the Industry.

4a. They are the ones who come up with most of the innovative thinking since they are forced to operate their vehicles in an efficient manner.

4b. They are the ones who provide the training ground for new drivers and provide drivers that do not want to be operators, with a livelihood.

4c. They are the ones that provide the service to the public when "Owner Drivers" do not want to service the public.

I wish to quote and make comment on the following:

"A.1 THE ESSENTIAL SERVICES COMMISSION ACT 2001

The ESC Act objective is to 'promote the long term interests of Victorian consumers'. This objective highlights the importance of the consumer, that is, the customer or passenger using the taxi service. The 'interest of consumers' are served by the lowest possible fares as well as increased service quality and increased diversity and scope in taxi service offerings. This objective is conditioned by the 'long term' perspective, however, which highlights the potential conflict between the objectives of lower prices and service quality. Fares must be set at a level that ensures quality and reliable service provision now and in the future."

1. Taxi fare regulation must enliven the broader competitive policy reforms being implemented by the Victorian Government and the Taxi Services Commission.

2. Taxi fare regulation must evolve with developments in the broader commercial passenger vehicle market.

3. The level of taxi fares should promote an efficient overall supply of taxi services. That is, taxi fares should be as low as possible for consumers, but sufficient to attract an overall supply of taxis that enables reliable services for consumers.

4. The structure of taxi fares should be responsive to variability in passenger demand and promote the right incentives for taxi operators and taxi drivers to meet demand.

5. Taxi fares should be relatively simple to understand, so as to promote informed and discerning choices by consumers.

6. Taxi fare setting must be informed by customer and industry input.

I feel that the ESC will find it hard, if not impossible; to reconcile the action of the Government, with respect to my points made in 2.and 3.with the objective of the ESSENTIAL SERVICES COMMISSION ACT 2001. I also feel points 3.,4. and 5. of the above, are not achievable if Governments, or other Government Agencies are overriding the efforts of the ESC by an agenda that is not in the Public Interest.

The ESC will never be able to fulfill its charter when Governments have a conflict of interest and let self-interest prevail by overriding the efforts of the independent ESC.

Due to personal time restraints it is not possible for me to look at many of the points made by the ESC. I will however address two very important issues in more detail and pose some topics for discussion,

5. Supply and demand.

The demand for Taxis in high demand times or high demand locations has in the past led to Governments issuing more Licences. High demand times or locations only account for about 8% of total demand and therefore satisfying this kind of demand leads to an overall oversupply, an inefficient Industry and ultimately to higher fares for the consumer. High demand times or locations were never addressed as a separate issue and it was easier for regulators and the industry to agree on a number that suited both sides. The issue of 600 Peak Service Licences was meant to address the higher demand for taxis on Friday and Saturday Night. It achieved this to a certain degree but as these licences were allowed to operate on seven nights per week they should have been called Night Licences and not Peak Service Licences. The highest demand for taxis occurred usually on Friday and Saturday Night between Midnight and 4 am when public transport was not operating. The decision to operate Public Transport 24 hours a day will show that unmet demand for taxis in the city is no longer problematic. Taxis are not designed for mass transport and it is logistically impossible to carry 100000 people out of the city by taxi.

6. Fare refusal is another hot topic for Regulators and Politicians. We have laws in Australia that make it an offence to refuse a fare unless certain criteria warrant such action. So it should not be a difficult task for the consumer to bring such action to the attention of the regulator and let the regulator deal with it in the appropriate manner. However the regulator should try to find out why this behaviour occurs, but never accommodate or even reward such actions, if it disadvantages the Consumer.

7. Food for Thought..

7a.Should the Taxi Industry and thousands of small business operators bear the cost of economic experimentation?

7b.What impact will the decisions of Government with respect to Uber, which flaunts the law, have on the Australian Public and our Tourism Industry with regard to maximum fares.

7c.How does Uber and the Oversupply of Taxis effect congestion in the City.

In closing I wish to say that **the ESC should leave the Fare Structure as it is** until we can see more clearly in what direction the Industry is going.