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**LEGISLATIVE
COUNCIL**

SL 10/106

28 April 2010

Ms Rachel Simpson
Select Committee on the NSW Taxi Industry
Legislative Council
Parliament NSW
Macquarie Street
SYDNEY NSW 2000

Dear Ms Simpson:

RE: INQUIRY INTO THE NSW TAXI INDUSTRY

Thank you for the courtesy extended to me when I appeared before the Inquiry into the NSW Taxi Industry on 31 March 2010. I appreciate the Committee's offer for my hearing to be held in private and also the offer to have legal counsel; but I chose to go public and alone as I had nothing to say that was potentially embarrassing to me or others whose names are being so freely dishonoured quite inappropriately.

It was my first experience at such an Inquiry and I understand the difficulties a Committee such as yours would have in dealing with an Industry as diverse, complicated and full of intrigue, greed and emotionally motivated people. Most have different agendas but I have always tried to take the simple view that 'if it meets the public interest test' it has got to be good for all sections of the Industry. Strangely to some, I have always also believed that the Drivers and Telephonists are our most important investment as they are the 'entry' point for consumers to the services we provide. Hence, my strong view regarding a 'weighted seniority register' for Driver entry to the Industry with exit times and transfer taxes appropriately set to add to Government revenue.

In answer to your specific questions on notice, the following are my views and do not necessarily follow the view of the NSW Taxi Council. Despite comments to the contrary, I have not been directly or through our Combined Communications Network (CCN) representative, involved in NSW Taxi Council affairs since I retired as Chairman of that organisation in 2001. For your information these questions have not been tabled before a Cabcharge Board Meeting and I have sought no input by any member of the Board in relation to my responses to any of your questions.

From Mr Ajaka:

1. *The Commonwealth Government recently announced that new national minimum standards would be established for taxi driver training and competency. Do you think that these national standards will be of benefit to the industry?*
- A. In NSW standards were established and maintained before the rest of Australia followed. I believe the NSW scheme is still almost the best national and international model – and why should we be dragged down to a national

standard which is probably going to be the lowest common denominator of existing Australia-wide schemes.

2. *NSW Transport and Infrastructure is currently trialling a scheme that requires the mandatory pre-payment of fares for late night travel.*
 - a. *Do you consider that such an initiative should be introduced across NSW?*
 - b. *Have you received any feedback from your operators or drivers regarding this scheme?*

- A. Neither I nor Cabcharge have any views on this except to note from international experience it creates a more aggressive attitude of potential passengers towards drivers.

Cabcharge (or any of its wholly owned Network subsidiaries) does not operate any Taxi Cabs in NSW or any other State or Territory.

3. *A number of submission authors have drawn attention to certain road rules and parking regulations that make it difficult for taxi drivers to undertake their work, such as no-stopping zones.*
 - a. *Do you consider that existing road rules and parking regulations should be reformed to ensure greater ease of access for taxis? If so, how?*

- A. Yes I do – Sydney generally has almost more signs than taxes. Motorists are plagued daily with speed signs of '40', '50', '60', '70', '80', '90', etc – almost changing at random. The painted kerbside (about 6-8cm) of red or yellow – used internationally – is more visible and once drivers and pedestrians are educated, is a much easier road sign system to understand. Most international visitors must be confused by our signs, in the CBD especially. The 'No Stopping' sign was originally introduced as a safety sign but has graduated to a traffic management sign.

4. *The NSW Taxi Council suggested that 'due to threats posed by illegal trunk radio networks ... the regulations regarding unauthorised communications equipment in taxi-cabs should be strictly enforced' (Submission 42, p 5, Recommendation 6).*
 - a. *Do you agree that trunk radio networks pose a threat to the industry? If yes, why?*
 - b. *Do you consider that the regulations relating to unauthorised communication equipment should be more strictly enforced? If so, how?*

- A. I no longer have a view – the Regulators continue to allow operators and drivers to prostitute their own regulations by maintaining a 'moratorium'. How the Industry is expected to provide meaningful KPIs and proper audit trails for safety of drivers and passengers is beyond me. Either you enforce a regulation or you don't; if it is not enforced it becomes redundant – which suits the whims of minorities; but unfortunately it places consumers in danger because of the complete disregard of those regulations presumably drafted for passenger safety.

5. *The NSW Taxi Council suggested that there should be a 'regulated premium service fee for customers who make a fully informed choice for a higher level of service than can be provided for the normal fare' (Submission 42, p 5, Recommendation 7).*

- a. *Do you consider that this would be a beneficial development?*
- b. *Are you able to identify any problems with this proposal?*

- A. Yes, this was promised years ago at \$10 plus GST. This was adopted by Victoria and Queensland and seems to work well. Here in NSW the Industry (greedily in my view) wanted \$25. The fact that no surcharge has been mandated in NSW has led to a situation that premium cars seem to charge what they like – the consumer must be confused by the lack of proper and sensible control through regulation. After all, fares are regulated in this State.

Provided the regulations are drafted in the interest of both the Industry and consumers alike, and are enforced by the Regulators, I am unable to identify (without the benefit of knowing what the regulations are) any problems with an additional surcharge for a premium service vehicle.

- 6. *Several submission authors have noted that the value of the Taxi Transport Industry Scheme does not adequately cover the increasing costs of taxi transport. Do you believe the current subsidy to be sufficient?*

- A. I have worked on the Taxi Transport Subsidy Scheme for 30 years to provide a fair system with proper audit controls in place for the Regulator. In NSW, the Regulator is too engrossed with monopoly nonsense and inefficient systems (for which Cabcharge invariably receives the angst of operators and drivers) and is certainly not interested in the fraud that occurs in the scheme.

I do not believe any Regulator should attempt any analysis of what constitutes a sufficient subsidy until the issue of fraud has been dealt with and its cost calculated. It is obvious that any analysis of NSW's Scheme would be seriously skewed because of the amount of fraud, which would render it of no value.

- 7. *Several submission authors have indicated that the existing paper-based voucher system for the Taxi Transport Subsidy Scheme is cumbersome for many people with disabilities. NSW Transport and Infrastructure have advised that they are looking at implementing a card-based system.*

- a. *Would the introduction of a card-based system be a positive initiative?*
- b. *Has Cabcharge been involved in the development of a card-based system?*
- c. *Has Cabcharge made a tender to NSW Transport and Infrastructure to provide the smart-card technology?*
- d. *Does Cabcharge provide a similar card-based system in any other States or Territories? If yes, what have been the outcomes and benefits of the card-based systems?*

- A. See answer to Question 6 please.

- a. Yes.
- b. Yes.
- c. Yes.
- d. Yes. The outcomes have been a huge reduction in fraud and proper and more efficient controls for the Regulators.

From Mr Khan:

1. *In respect of page 4 of the transcript of proceedings for 31 March 2010 (hereinafter referred to as "the transcript"), since 1999 could you identify for each financial year the number of EFTPOS machines "rolled out" to the Taxi Industry:*
 - a. *In NSW;*
 - b. *Across Australia.*
- A. The Inquiry was established by State Legislation and its purpose is to enquire into the workings of the NSW Taxi Industry. Cabcharge operates nationally and internationally and is willing to provide statistics in relation to its NSW operations. Accordingly, we do not propose to provide information that falls outside the Committee's terms of Inquiry.
2. *In respect of page 4 of the transcript of proceedings for 31 March 2010 (hereinafter referred to as "the transcript"), since 1999 could you identify for each financial year the percentage of the total taxi fleet into which Cabcharge had installed/provided its EFTPOS machines "rolled out" to the Taxi Industry:*
 - a. *In NSW;*
 - b. *Across Australia.*
- A. The Inquiry was established by State Legislation and its purpose is to enquire into the workings of the NSW Taxi Industry. Cabcharge operates nationally and internationally and is willing to provide statistics in relation to its NSW operations. Accordingly, we do not propose to provide information that falls outside the Committee's terms of Inquiry.
3. *In respect of page 4 of the transcript, when did Cabcharge acquire Taxi Credit?*
- A. Cabcharge did not acquire Taxi Credit (it was deregistered on 24 June 1993 according to ASIC records).
4. *In respect of pages 5 and 6 of the transcript, identify in each financial year from 1999 to the present time the percentage of the total number of taxis in which Cabcharge EFTPOS machines are installed:*
 - a. *In NSW;*
 - b. *Across Australia.*
- A. The Inquiry was established by State Legislation and its purpose is to enquire into the workings of the NSW Taxi Industry. Cabcharge operates nationally and internationally is willing to provide statistics in relation to its NSW operations. Accordingly, we do not propose to provide information that falls outside the Committee's terms of Inquiry.
5. *In respect of page 7 of the transcript, what technology would Cabcharge or third party users need to develop to allow the use of Cabcharge cards in third party provided EFTPOS machines.*
- A. See Annexure A which is submitted as **Commercially Sensitive Information** and not for publication.
6. *In respect of page 7 of the transcript, what cards (such as Visa, Mastercard etc) are accepted in Cabcharge EFTPOS machines?*
- A. Visa, MasterCard, American Express, Diners Club, JCB, Motorpass.

7. *In respect of page 7 of the transcript, in respect of each card provider (such as Visa, Mastercard etc), what charges or charges did each card provider pay Cabcharge to allow the use of their cards in Cabcharge EFTPOS machines?*

A. See Annexure B which is submitted as **Commercially Sensitive Information** and not for publication.

8. *In respect of page 7 of the transcript, in respect of each card provider (such as Visa, Mastercard etc), what charges or charges did each Cabcharge pay to the card to allow the use of their cards in Cabcharge EFTPOS machines?*

A. Cabcharge pays the card providers under 4% as processing charge (depending on the type of card used by the commuters).

9. *In respect of page 7 of the transcript, in respect of each card provider (such as Visa, Mastercard etc), what expenses were incurred by Cabcharge in facility the use of their cards in Cabcharge EFTPOS machines?*

A. I presume you mean 'what expenses were incurred by Cabcharge to facilitate the use ...'. If so, this is a very deep question and the cost of obtaining, maintaining, retaining and updating Bank Certification in a moving feast of regulatory requirements over many years has been extremely costly in software development, testing and piloting. As an example, we have been working with NAB for almost two years to the present time, developing requirements for Chip and Pin and Contactless payment systems.

In addition to the charges paid by Cabcharge to the card providers, Cabcharge also pays:

- A merchant fee to each of the Taxi Networks;
- The cost of installation and maintenance of the Cabcharge Payment System;
- The telecommunications costs;
- Cash flow financing costs;
- Other related costs – eg investigation of complaints by customers;
- Mail and insurance costs; and
- Costs associated with maintaining and providing paper based facilities.

Cabcharge also incurs significant investment costs in keeping the Cabcharge Payment System at the forefront of technology.

10. *In respect of page 15 of the transcript, identify the growth in income that Cabcharge has received in each financial year since 1999 from bank issued card transactions?*

A. We enclose Cabcharge's Annual Reports since listing which clearly sets out the information requested.

11. *In respect of page 15 of the transcript, identify the growth in come that Cabcharge has received in each financial year since 1999 from non – bank issued (such as Motorpass) card transactions?*

A. Please see Answer to Question 10.

12. *In respect of page 16 of the transcript, identify the growth or decrease in income that Cabcharge has received in each financial year since 1999 from Cabcharge branded card transactions?*

A. As per Answers to Questions 10 and 11.

Yours sincerely



R.L Kermode
Chairman and CEO