

e-mail received on 11/12/2007 at 5.20pm

My submission relates to items i and v of the terms of reference. Get these issues correct and solution to the rest will follow.

Premise

That fact that taxi licences have a value greater than zero is evidence of two truths;

a) There are too few licences. (Supply and demand)

b) Super profits exist in the present level of fares. ie. If fares were at the correct level to give a fair compensation for the cost of investment in and operation of the vehicle, remuneration per hour for the driver and cover for overhead expenses, there would be no funds available to pay for rent of a licence, and therefore licences would have no value. The current market value of Taxi Licences is prima facie evidence that fares are currently overstated to the tune of approximately \$24,000 pa.

Cutting the regulated fare level may improve the industry.

(i) About 27% of the fare revenue is skimmed by the licence holders as super profit tax. If anyone is going to tax the industry it should be the government not the licence holders.

(ii) It is theoretically possible to cut fares by 20% and drivers simultaneously earn about 7% more per hour.

(iii) Until the super profit going to the licence owners is eliminated you will never get a financially sound industry.

(iv) A progressive reduction in fares over 5 years at 3% per annum will start a cycle, declining licence value, reduced licence rent and higher proportion of fares to the driver.

Some option for faster and radical reform.

1. Open roads policy allowing anyone with an appropriate vehicle who can pass the drivers test to have a licence for a small annual administrative fee, subject to successful bid process below.

2. For those licences which the government actually sold in the past, allow a 20 amortisation period. Refund to the current holder 5% of the original price charged by the government for each year unexpired allowing since 20 years the licence was first issued.

3. For licences never sold by the government no refund. Remember licences only have a value because there have been super profits. The government should not reward licence holders for ripping off the public in the past.

4. Set fares on a bid system.

A. All licence holders bid for the fare they want to charge for the coming year.

B. Fares are set at the mean of all the bids. With some mathematical refinement to eliminate the extreme highs and lows.

C. The top 10% of bids do not get licence renewal for the next year

D. All licence holders have to pay a bid tax which is 25% of the difference between their bid and the mean. Effectively if you bid above the mean your effective fare is less than a licence holder who bids at the mean or lower.

E. If you are subject to a bid tax you have to pay half up front based on the average kilometers per annum to keep your licence for the year.

A taxi licence is a privilege bestowed by the government which it can hand out and take back.

David Walsh