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DTMR. Taxi Industry Economic Model

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L.E.K. has analysed the economics of individual conventional taxis in Brisbane

- L.E.K. was engaged by DTMR to develop an economic model of the taxi industry with a focus on conventional taxis
  - the analysis is based on recent per shift earning reports and operating costs collected from five Brisbane operators covering ~700 drivers
  - in addition, a number of interviews with key industry stakeholders have been conducted to supplement the findings
- The model focuses on the earning potential and associated costs for a single conventional taxi operating within the Brisbane network
  - it captures the associated economics for each party along the lines of revenue, costs, and return
- This analysis has been completed over an eight week period

Note: This report is based on a point in time in the economic cycle and based on reported revenues and costs provided by a sample of Brisbane’s taxi operators. Whilst it provides insights into the economics of the taxi industry, the economics of individual operators can differ substantially from the general picture provided in this document.
The analysis is based on data collected in a relatively weak economic climate. The demand for taxi services is highly correlated with both domestic and global economic conditions. This presentation is based on data representing the current economic conditions; thus industry economics could improve in the future.

Australian Real GDP growth (FY1991 – 15F)

- The demand for taxi services is highly correlated with both domestic and global economic conditions.
- This presentation is based on data representing the current economic conditions; thus industry economics could improve in the future.

Note: * Approximately 65% of domestic tourism trips are same day trips and 35% of trips are overnight; ** total taxi jobs are highly correlated with OECD GDP (R-Sq = 0.86) and international tourism trips to Australia (R-Sq = 0.98); taxi jobs are also correlated with the growth in domestic GDP (R-Sq = 0.99) and the level of domestic tourism (R-Sq = 0.95)

Source: ABS; BIS Shrapnel; ATIA; L.E.K. analysis
Taxi revenue varies widely per shift, averaging $311

Per shift gross revenue, distribution by time of shift (2009-10)

Note: Analysis based on a data sample for Brisbane conventional taxis in 2009/10
Based on available shift data, an average a conventional taxi is in service for 85% of total potential shifts, or 11.9 out of the 14 weekly shifts.

Percent of total potential shifts worked, by time of shift (2009-10)

Note: Analysis based on a data sample for Brisbane conventional taxis in 2009/10

Source: DTMR, Brisbane operator data; L.E.K interviews and analysis

DTMR. Taxi Industry Economic Model
Based on this data, a conventional “average taxi” generates $193K gross revenue per annum.

**Distribution of annual gross revenue per taxi (incl. GST)**

- Percent probability:
  - 10% of taxis: $125K
  - 80% of taxis: $193K
  - 10% of taxis: $235K

**Annual gross revenue (incl. GST)**

Note: Analysis based on a data sample for Brisbane conventional taxis in 2009/10

Source: DTMR, Brisbane operator data; L.E.K interviews and analysis

Note: * $311 includes GST, but does not include a levy on credit card payments
Five parties are involved in the delivery of taxi services

Annual taxi revenue (excl. GST), allocated across players (2009-10)

Note: This data presents indicative revenues for a conventional Brisbane taxi based on a 2009/10 data sample. Actual economics for individual taxis or operators might vary substantially from these figures.

Note: * Figure represents the aggregate of all the individual drivers of the taxi

Source: DTMR, Brisbane operator data; Annual reports; L.E.K interviews and analysis

DTMR. Taxi Industry Economic Model
The returns for each industry participant include a compensation for labour and/or profit

Annual return and costs for conventional taxis by player (excl. GST)
(2009-10)
Thousands of dollars

- The take-home pay for drivers represents the money earned by the driver as compensation for the work
- Operator return is considered to include both the operator's salary equivalent and profit
  - the cost of the operator's labour is not tracked as an expense
- The licence owner dividend represents an approx. 6% return on the value of a taxi licence
- The returns for both booking companies and payment services provider are pre-tax profits based on their existing cost structure

Note: This data presents indicative returns for a conventional Brisbane taxi based on a 2009/10 data sample. Actual economics for individual taxis or operators might vary substantially from these figures

Note: * Figure represents the aggregate of the all the individual drivers of the taxi

Source: DTMR, Brisbane operator data; Annual reports; L.E.K interviews and analysis

DTMR. Taxi Industry Economic Model

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Each party has a varying level of exposure to changes in revenue. Operators are most exposed.

**Annual return for conventional taxi**

**Three revenue scenarios**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Low performing taxi (~$160K)</th>
<th>Average taxi (~$193K)</th>
<th>High performing taxi (~$215K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>93</td>
<td>78</td>
<td>134</td>
</tr>
<tr>
<td>Revenue risk sits largely with operator and driver</td>
<td>11</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

**Revenue sources**

- **Payment Services Provider**
  - EFTPOS* fare surcharge. Varies with fare
  - Revenue exposure: Medium
- **Booking company**
  - Fixed affiliation fees
  - EFTPOS* fare surcharge Varies with fare
  - Revenue exposure: Low
- **Owner**
  - Fixed licence lease fees
  - Revenue exposure: Low
- **Operator**
  - Variable fare revenue
  - Fixed driver insurance contribution
  - Largely fixed costs
  - Revenue exposure: High
- **Driver**
  - Variable fare revenue
  - Revenue exposure: Medium

**Note:** This data presents indicative returns for a conventional Brisbane taxi based on a 2009/10 data sample. Actual economics for individual taxis or operators might vary substantially from these figures.

* EFTPOS fare surcharge is from the payment services provider levy on fares paid by credit card

Source: DTMR, Brisbane operator data; Annual reports, L.E.K interviews and analysis
A comparison of bus driver hourly wages to taxi driver hourly pay highlights a substantial difference in compensation

Driver pay benchmarking
(2009-10)
Dollars per hour

<table>
<thead>
<tr>
<th>Weekday</th>
<th>Weekday</th>
<th>Weekend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bus driver</strong></td>
<td><strong>Taxi driver</strong></td>
<td><strong>Bus driver</strong></td>
</tr>
<tr>
<td><strong>Public operator</strong></td>
<td><strong>Private operator</strong></td>
<td><strong>Public operator</strong></td>
</tr>
<tr>
<td>Median</td>
<td>Max</td>
<td>Median</td>
</tr>
<tr>
<td>10.1</td>
<td>14.4</td>
<td>12.2</td>
</tr>
<tr>
<td>32.1</td>
<td>33.0</td>
<td>24.8</td>
</tr>
<tr>
<td>42.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note: driver pay calculations based on data sample for Brisbane conventional taxis in 2009/10**

Taxi driver hourly pay is based on assumptions of number of productive hours per shift

Scenario 1
(11.5 productive hours per shift)
Scenario 2
(9.5 productive hours per shift)

Friday and Saturday night shifts, attract higher pay of $16.8 median (scenario 1) and $20.4 median (scenario 2)

Bus driver Taxi driver

Economic model
Licence owners are compensated through licence fees (approx 6% return) and capital appreciation which amounted to an average of 4.3% p.a. over the last seven years.

Market value of Brisbane taxi licences (2003-10)
Thousands of dollars

CAGR% (2003-10)

Nominal 4.3

Lease Fee
Annual fee: ~$25.1k
Licence value: ~$420k
Licence fee amounts to ~6% dividend

Source: BSX Equity market; L.E.K. Interviews; L.E.K. interviews and analysis
DTMR. Taxi Industry Economic Model
A range of factors determine the revenue per taxi. Many of these factors can be influenced by Government, in particular fares, licence numbers and driver supply.
New driver applications have fallen below the level required to maintain the current number of drivers

New driver applications vs. applications required to maintain sustainable level of supply (2008 - 11F)

Quarterly Applications

Source: DTMR, Brisbane operator data; L.E.K interviews and analysis

DTMR. Taxi Industry Economic Model
If a decline in driver supply drove down shift coverage from 11.9 to 10.0 shifts per week, operators could make a loss.

Annual taxi return, by number of shifts per week (2010)

Thousands of dollars

If the current level of new driver applications persists, operators may only be able to cover 10 out of 14 shifts per week (down from ~12 currently).

Note: Analysis based on sample data for Brisbane conventional taxis in 2009/10. Actual economics for individual taxis or operators might vary substantially from these figures.

Source: DTMR, Brisbane operator data; L.E.K interviews and analysis

DTMR. Taxi Industry Economic Model
A range of factors determine the revenue per taxi. Many of these factors can be influenced by the Government.

Example levers to increase driver supply:
1. Introduce provisional driver accreditation
2. Review accreditation requirements
3. Subsidize cost of English assessment
4. Advertise driving a taxi as a career

Source: L.E.K. interviews and analysis
DTMR. Taxi Industry Economic Model
Summary

- A typical conventional taxi attracts gross revenue of $193K with an additional $7K of payment services provider fees for non-cash payment.

- Net of third party costs, annual indicative average per taxi:
  - Driver pays amount to $78K
  - Operator salary equivalent and profit amounts to $11K
  - Licence income is $25K
  - Profits for the booking company and payment services provider are $1.7K and $3K respectively.

- For individual taxis, revenues can differ with an estimated 80% generating between $160K and $213K (incl. GST).

- Operators and to a lesser extent drivers are exposed to variation in revenue.

- Factors driving the revenue per taxi include driver supply, which is currently not sustainable as new driver applications are substantially below churn rates.

Note: Analysis based on sample data for Brisbane conventional taxis in 2009/10. Actual economics for individual taxis or operators might vary substantially from these figures.