

26 November 2014

**Chairman's Address  
Annual General Meeting – 26 November 2014**

Attached is a copy of the Chairman's Address to be delivered today at the Annual General Meeting of Cabcharge Australia Limited at the InterContinental Hotel, Sydney.

A handwritten signature in dark ink, appearing to be "Adrian Lucchese", written over the printed name and title.

Adrian Lucchese  
Company Secretary



**Chairman's Address  
Annual General Meeting  
Wednesday, 26 November 2014  
InterContinental Hotel, Sydney**

I am very pleased, and indeed honoured, to present to you on behalf of the Board of Cabcharge, the Chairman's Address for 2014.

As reported in our Annual Report, we have certainly been through a year of challenging issues and turbulent change and it is in that context that I am pleased to report that Cabcharge has made encouraging progress on numerous fronts.

Of course, the job is far from done, but I believe that in the year since our last annual meeting, much has changed that should give shareholders confidence that we are on the right track and are committed to further change and improvement – in the governance of the Company and in the way we run our operations as well as the optimisation of our financial performance in the changing regulatory and competitive environment.

**Financial Performance**

Firstly in respect of our financial performance, I am very pleased to report that in 2014 Cabcharge produced another strong financial performance, with EBITDA of \$73.8m and normalised NPAT of \$65.8m. These results were largely in line with the prior year and I believe was a creditable achievement given the prevailing economic and regulatory challenges we faced.

Furthermore, and notwithstanding the challenging operating environment, we were able to reduce debt during the year by some \$38m. Our final dividend of 10 cents a share fully franked took dividends for the year to 25 cents a share.

This year the Board adopted a conservative approach to dividend policy, however going forward we will seek to balance the need for returns to shareholders and investment in future growth.

It is vital that Cabcharge continues to invest in new technology to retain its market leadership. Passengers, drivers and taxi operators are embracing digital technology to make using taxis much easier and more cost effective relative to other forms of transport. We need to ensure that we continue to provide better platforms for our taxi network customers and easier to use in-car systems for drivers that also deliver convenient, fast and reliable services for passengers.

## **Improved Governance**

Secondly, in respect of our governance, and under very challenging circumstances following the death of our Executive Chairman, Reg Kermode, and fellow Board Director, Phil Franet, the Company confronted the need for change with great conviction and, I believe in the right spirit. These changes have been outlined in our Annual Report and my recent letter to shareholders.

Also, late last month, Mr Ian Armstrong, a Director and Chairman of our Audit and Risk Committee resigned after 14 years' service on our Board. On behalf of the Board I would like to acknowledge Ian's contribution to the Company over those 14 years and wish him all the very best for the future.

As you know, the Company has been criticised in recent years for shortcomings in its governance – some perceived, some real – but all of which merited a comprehensive reappraisal of where we were at.

A strong focus has been on changes to the Board with my appointment as Chairman, the appointment of Richard Millen and Rodney Gilmour as new non-executive Directors and the appointment of Neill Ford as our Deputy Chairman.

In addition, the appointment of Andrew Skelton as our new CEO brings new vision and leadership to our Executive Management Team.

Andrew joined Cabcharge as Company Secretary in 2011 and brings a unique combination of experience to the Chief Executive role. He has worked in the taxi industry for more than 20 years including 10 years at the helm of Victoria's 13CABS taxi network.

Unfortunately, Rodney Gilmour has also resigned from the Board effective close of business yesterday, and as a consequence will now not be seeking election to the Board. During his short period on the Board of Cabcharge, Mr Gilmour made a very worthwhile and professional contribution and as with Ian Armstrong, will be missed. On behalf of the Board, I wish Rod all the very best for the future.

The Board will continue to adopt a considered and thorough process of Board renewal and in the year ahead we will continue to look for additional Board and executive level talent to enhance our capabilities in business critical areas.

The Board's agenda and strategy as we go forward into the new financial year is to –

- develop a stronger offering for customers;
- re-engage with our corporate clients, with a new promotion to commence shortly;
- innovate with even better technology;
- engender strong confidence among shareholders in our governance arrangements, business strategy, the quality of our management and the growth prospects available to us.

We will also continue to look for opportunities to strengthen our successful diversification strategy.

### **Joint Venture Associates**

In the past year the contribution from our Associates (ComfortDelGro Cabcharge Pty Ltd and CityFleet Networks Limited) was again solid at \$20.6m – an increase of 1% on last financial year.

In respect of ComfortDelGro Cabcharge Pty Ltd (CDC), although the NSW business was impacted by the loss of the Westbus contracts in October 2013, the Queanbeyan business acquired in 2012 continued to perform in line with expectations, as did the Hillsbus and Hunter Valley bus businesses.

New contracts for Hillsbus and Hunter Valley buses have recently commenced, and as previously reported, CDC has entered into an agreement to acquire the assets of the Blue Mountains Bus Company for \$26.5m, subject to final due diligence.

In respect of CityFleet Networks Limited (CFN) I am very pleased to report that profit after tax for the quarter ended September 2014 in Australian Dollar terms was A\$1m, an increase of A\$0.2m or 27.6% over the previous corresponding period.

Diversification is important provided we plan well and take a prudent approach to investment in operations where we can add significant value.

Although competition and market conditions remain challenging, we are confident that our Joint Venture Associates will continue with positive results.

I have recently joined the Boards of both Joint Venture entities and I can assure you, both Boards and the Management Teams are working very hard to grow revenue, whilst keeping costs under control.

### **Outlook**

Notwithstanding the regulatory challenges and increased competition, we are confident that we can continue to grow our market share through leveraging our technology skills, introducing new product offerings and being more efficient in what we do.

Although changes to New South Wales taxi legislation – which will cap our service fee at 5% will have an impact on our revenue, we have planned for this change and have adjusted our business strategy accordingly.

## New Competitors

That leads me to the issue of new competitors in our industry – and with new entrants to the taxi and hire car industry, the challenge for regulators is to ensure a level playing field on which all participants compete on the same basis.

There has been much talk about some of the so-called new “technology based” competitors entering our industry, particularly Uber. What they don’t tell you about Uber and what you won’t read in those glowing media reports is that the company is an offshore entity which does not appear to pay any taxes here. Furthermore, it can be argued that UberX – ride share activity operates illegally and encourages its drivers and others to also break the law.

- They continually breach regulations that govern our industry whereas we at Cabcharge abide by them;
- While we operate on regulated pricing across the entire market, they concentrate on servicing the most profitable segments of the market and charge big premiums at peak times;
- While our service fees of between 5 and 10% are clearly visible to the passenger when paying the fare – and which are often criticised – Uber passengers are unaware of the components that make up the fare they are paying.

They talk about being innovative – however rather than being innovative, UberX ride sharing is dangerous, unsupervised and as the NSW Government has said, illegal. UberX ride sharing is not ride sharing or car pooling as you and I would normally understand it and Governments need to do something about this.

They charge passengers unregulated fares, sidestep requirements that exist for the safety of passengers and drivers and continue to operate with only minimal sanction, hoping that regulators run out of puff.

Regulated taxis on the other hand, operated by law-abiding owners and operators through the regulated networks, provide continuously checked, trained drivers with known and regulated fares and taxis that are insured, monitored, inspected and fitted with in-vehicle cameras.

In regards to safety, unlike regulated taxis and hire cars, there is no guarantee that drivers or vehicles are checked. Uber claims to do this voluntarily.

This is not good enough. We need the whole community to be covered by adequate safety regulation rather than self-selecting or bold “we’ll be good” statements.

For example, UberX drivers are not covered by zero-blood alcohol laws that apply to regulated taxi or hire car drivers. Once again it will never be enough for a private company – which is difficult to locate, to claim it will make an internal alcohol policy and stick to it themselves when they – whoever they are and wherever they are – rarely if ever meet the driver.

Safety is also about knowing where a vehicle is at all times even when a phone is turned off by a driver. Safety is also about knowing who took out a taxi and having a government authority Driver Identity photo rather than wondering if a phone was passed to an unknown person who is driving a private unknown vehicle.

But worse of all – as governments struggle to stop their illegal operation – the livelihood of thousands of hard-working and law-abiding taxi drivers is under threat.

But what we at Cabcharge are most proud of is the difference we make to people who need and depend on our taxi services. Ours is an essential service, available to all parts of the community – young, old, rich, poor, from big companies to people who are disadvantaged and people with disabilities.

And unlike the new foreign “kids on the block”, we are proudly an Australian Company owned by thousands of shareholders like yourselves, including the Mum and Dad investors who have shares in Cabcharge directly or via their Superannuation Funds – and, we pay taxes here in Australia.

We at Cabcharge will support the relevant industry associations in addressing these issues as part of the broader taxi industry and will not sit idle while these offshore entities deliberately disregard our laws and threaten the livelihood of our drivers.

Yesterday, I wrote to all State Premiers and Territory Chief Ministers outlining many of these issues of concern and asking them what are they doing about addressing those issues or what they intend to do about them.

I also wrote to the Prime Minister along similar lines – but highlighting to him the taxation issues associated with UberX’s operations:

- Who collects and pays the GST?
- Who declares the revenue that the passengers pay to Uber and the money Uber pays to the drivers for income and company tax purposes?

The operation of UberX is not only illegal and unsafe from a public transport perspective but also appears to facilitate tax avoidance.

We believe in competition and we welcome the growth of App-based services in the taxi industry, having pioneered the use of these services in 2009, well ahead of our new competitors.

Your Board will continue to work with Government, Taxi Industry bodies and other relevant stakeholders to ensure that our industry is not maligned by unlawful and unsafe operators.

Your Board will also continue to work tirelessly on behalf of shareholders in ensuring our Company not only maintains its position as the leading taxi payments and taxi operating company, but continues to grow and deliver those customer focussed services.

We are confident for the future of your Company and have a new sense of determination.

On behalf of the Board, can I wish you and your families a safe and happy festive season.

**Russell Balding, AO**  
**Chairman**

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