'Taxing taxis' - limits and possibilities for regulating tax compliance behaviours of taxi-drivers: an Australian case study

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‘Taxing Taxis’—Limits and Possibilities for Regulating Tax Compliance Behaviours of Taxi-Driver: An Australian Case Study

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Maarten R. Rothengatter

Dated: 3rd of November, 2008.
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This thesis pays personal tribute and is dedicated to my son Sjoerd who passed away under tragic circumstances, in 2007.
To Sjoerd—Dedicated with love, respect and wonderment:

“Nothing else matters?”
Abstract

This thesis is both an empirical and theoretical contribution to the study of tax-compliance by taxi-operators and drivers. The exploratory case-study adopts a critical sociological perspective in assessing the limits of both the currently dominant academic literature and the industry-specific legislation on tax conformity, including the most recent strategies and explicit tax-compliance measures from the Australian Tax Office (ATO) with regard to Australian cab-drivers.

The core premise of this thesis is that the social and economic activities (both legal and illicit) of cab-drivers are embedded within unique networks of social relations. The study utilises focus-group interviews to explore cabbies’ views on taxation, their perceptions of fairness and trust, and to elucidate how individual taxi-workers justify circumvention of Australian tax laws and regulatory measures in their actual work-practices. This exploration is achieved by analysing the verbal accounts and conversations among cab-drivers that involve their guilt-free justifications for non-compliance. The analysis presents further insights into their “vocabulary of motives” and “aligning actions” vis-à-vis non-compliant tax behaviour. The respondents’ views and perceptions about trust, and distributive and procedural justice, are compared and contrasted against the tax-regulator’s views and the ATO’s current enforcement measures.

This study is semi-grounded and qualitative in approach, and is a first contribution to a field of inquiry that appears to be dominated by quantitatively-oriented criminological and social-psychological approaches. In contrast, the case-study presents a sociologically-inspired inquiry, by emphasising that cab-drivers are subjected to a multitude of structural arrangements and social control mechanisms, which influence their attitudes and actions with regard to non-compliance. Moreover, current regulatory initiatives towards diminishing non-compliance in the taxi-industry tend to neglect the concept of “mixed-embeddedness” and the inter-relatedness between tax rules, concomitant enforcement practices, and the nation’s broader legislative framework. The state’s regulation of tax-compliance behaviour of taxi-drivers cannot strictly be detached from other laws and regulatory measures in areas such as taxi-cab licensing, occupational health & safety (OH&S) or industrial & workplace relations, which affect every taxi-operator and contracted driver, albeit in
different ways. A social-action approach that grasps more comprehensively the rich contexts and complexities involved in the informal behaviours of cabbies may be regarded as an additional and powerful information tool in the governance of modern taxation systems.

The study will demonstrate how serious tensions and contradictory forces arise when tax regulators attempt to enforce a National Compliance Model which is, of itself, inherently *mal*-integrated and underpinned typically by a bureaucratic ‘one-size-fits-all’ enforcement approach in regard to local networks of taxi-drivers. It will be argued that legislative changes to the (legal) employment status of Australian taxi-drivers may produce a far more expedient and cost-effective way for curtailing the enduring and deeply imbued tax non-compliant *modus operandi* within this particular sector of Australia’s transport-services industry.

**Keywords:**
Economic sociology; cash-economy; distributive justice; focus-group interviews; mixed-embeddedness; social networks; tax-compliance; taxi-drivers.
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Preface

Despite the ubiquitous presence of taxi-drivers in everyday interactions and popular culture, the Australian taxi-industry has received virtually no attention from social scientists. This thesis is the product of the researcher’s combined fascination with the processes involving sociological inquiry and involvement in the job of taxi-driving and experience of the taxi-industry and its main actors. The specific focus is on the enforcement of different tax-compliance measures by the Australian tax-regulator in its steadfast attempts to tackle the taxi-industry’s deeply entrenched cash-economy.

This case-study on Australian cab-drivers could also be regarded as a “heuristic inquiry” which, according to Moustakas (1999: 17) is

… [a] process that begins with a question or a problem which the researcher seeks to illuminate or answer. The question is one that has been a personal challenge and puzzlement in the search to understand one’s self and the world in which one lives. The heuristic process is autobiographic, yet with virtually every question that matters personally, there is also a social — and perhaps universal — significance.

The thesis has drawn on a range of personal experiences whilst driving a cab in the State of Victoria from 1993 to 2001 and from ongoing contacts with cab-drivers, taxi-owners, depot managers, transport regulators and tax-administrators. Consequently, this case-study is sociologically informative, because of its mixture of lived-experiences, academic study and an insider’s tacit knowledge of the irregular dynamics that operate within the industry’s uniquely structured workforce. In particular, the study explores the possible links between the cash-intensive nature of taxi-services within the Australian passenger-transport sector and high levels of non-compliance from cabbies.

The dominant discourses and regulatory approaches that drive the Australian government’s current tax-regulation and enforcement measures are underpinned by a neo-liberal ideology that guides, since 1996, an array of predominantly quantitative, social-psychological and economic research by the Centre for Tax-System Integrity (CTSI) in Canberra. The main objective for writing the thesis has been to provide a
more sociologically-oriented explanation of the tax non-compliance behaviours from a marginalised category of Australian workers for whom deviant behaviour makes perfect sense. The case-study will elucidate how structural forces, historically located in the industry’s cultural, economic and social arrangements, are intimately intertwined with both economic and non-economic aspects of the job of taxi-driving. Put differently, the study will provide some unusual insights into how cabbies justify their attitudes and non-compliant behaviours, and can ‘live with themselves’ and their attributed deviance.

This qualitative and semi-grounded exploratory research project investigates the main reasons for cabbies to defy tax laws and regulatory measures, as disclosed during a series of six focus-group interviews. Cabbies’ opinions, perceptions and attitudes with regard to the New Tax System are compared and contrasted with the tax-regulator’s views, opinions and current enforcement measures, that apply formally to all active Australian taxi-drivers. The research project will highlight the tensions, unintended consequences, and contradictory interests that are generated by differences in legislative capacity, regulatory autonomy and enforcement powers between the various State/Territory authorities and federal agencies, such as the Australian Tax Office (ATO).

In summary, the study will argue that current tax-regulations and enforcement measures are inherently mal-integrated. Rather than trying to diminish cabbies’ non-compliance by increasing its regulatory presence, imposing heavier fines and penalties, or developing electronic surveillance and enforcement technology, the ATO may consider following a more responsive regulatory path by addressing the structural inequities that underpin many a cabbie’s deviant stance vis-à-vis their civil obligation to pay the correct taxes. Moreover, the regulator’s existing enforcement initiatives appear to be underpinned typically by a bureaucratic and ‘one-size-fits-all’ approach with regard to eradicating the culturally entrenched practices that operate within tightly-structured social networks of taxi-drivers. The insights that will be put forward in this thesis may, with hope, carry some significant implications and suggestions for enforcement strategies that will stimulate greater voluntary tax-compliance among Australian cabbies.
Overview of the Thesis

Chapter one will provide the main background of the case-study, introduce the topic of taxation, define some of the regulatory problems pertaining to tax-evasion in a typically cash-sensitive industry, and provide a brief overview and analysis of the federal government’s most recent tax-compliance enforcement strategies. The ATO’s regulatory approaches, following the introduction of Australia’s New Tax System in 2000, will be compared and contrasted with the ways by which different transport and industrial regulations affect taxi-drivers in the various States and Territories.

Chapter two will provide a broad overview of the main theoretical traditions and approaches pertinent to tax-regulation. This will be followed by a review of the literature that incorporates aspects of industrial sociology and regulatory enforcement styles, with direct relevance to the taxi-industry and its stakeholders. The chapter will evaluate the explanatory models from criminology that can be used to inform tax-compliance and regulatory enforcement strategies. The emphasis will be on a network approach to tax-compliance, while highlighting the “mixed-embeddedness” (Kloosterman & Rath 2001) of the ATO’s enforcement practices and their links to the overall framework of regulatory measures that impact upon the taxi-industry nationally.

Chapter three examines—through a critical sociological perspective—the study of tax-compliance and explains and justifies the logic for selecting a qualitative, comparative methodological approach. The fieldwork activities for this research project and the study’s semi-structured interview questions for the focus-groups interviews will be discussed in more detail.

Chapter four contains the study’s data analysis and discussion of the main findings from the six focus-group interviews that were conducted with a total of forty-six taxi-operators and drivers. Contrasts and comparisons between the various research sites will be supported by verbatim and grounded quotations from the various focus-group participants.

Chapter five contains the ATO’s views, opinions and critical perceptions about the Australian taxi-industry and its stakeholders. This chapter is based on an analysis of an in-depth interview with the ATO’s National Manager of Taxi-Industry Partnership Team (TIPT). The data from the discussion with the team’s senior executive will be
compared and contrasted with the discourses that were generated during the focus-group sessions with cabbies and then supplemented by conversations with other ATO operatives.

Chapter six summarises the research project, contains the main conclusions of the thesis and will make recommendations to guide future comparative, cross-cultural research initiatives. Moreover, this final chapter will provide an evaluation of the strengths and weaknesses of the case-study and will flag recent developments in the taxi-industry that could pose potential threats to the ATO’s primary aim of establishing higher levels of voluntary tax-compliance.

On a personal note, this thesis has turned into a ‘First-Cab-off-the-Rank’ journey and aspires to make a difference through its contribution to a broader discourse that promotes a “Fairer Tax-System”. Its ultimate destination is the introduction of more industry-specific “responsive regulation” that supports the ATO’s own mission statement—“Building a Better Australia”—for citizens who represent the coalface of Australia’s precarious taxi-industry.
1. A Sociological Context For Studying Tax Non-Compliance

In an often quoted aphorism, Justice Wendell Holmes (1927) observed that secure sources of state revenue are like lifelines to civilised societies\(^1\), while implying that paying tax is one of life’s certainties as much as it may raise a social dilemma for citizens. Tax revenues augment the legitimacy of a nation’s social and political institutions, but are often one of the first casualties as a result of unpopular government decisions. Moreover, tax contributions flow freely where levels of generalised trust in authorities, social integration, and collective solidarity among citizens, are strong and relatively high, but these can quickly be disrupted if even small pockets of cheating come to symbolise to taxpayers “the dilemma of hypocrisy” (ATO 1998: 17).

Indeed, rampant tax non-compliance threatens the integrity of any and every tax system by increasing perceptions among taxpayers that the collective tax burden is not being shared equitably. Taxation, in other words, lies at the heart of many political struggles that determine how modern states are able to finance and execute policies on social welfare, education, national security and other aspects of the nation’s economic and social infrastructure. Alternatively, taxation is very much a matter of distribution, redistribution and social fairness with regard to people’s ability to contribute to the common good.

The ultimate implications of all forms of tax-evasion (including artificial tax-minimisation and creative accounting practices)\(^2\) can be linked intrinsically to the erosion of a government’s national revenue base and to its efforts to accomplish “distributive justice and procedural justice” (Wenzel 2001a: 6-8). Failure to achieve the latter intentions, in particular, can undermine a government’s capacity to respond adequately to the collective needs and aspirations of society (see Andreoni, Erard & Feinstein 1998). Consequently, nation states walk a fine line between encouraging (or rewarding) tax compliance and threatening strong sanctions against those who default and defy the rules of tax laws and enforcement measures. Among other
individuals and business sectors within the economy, the Australian taxi-industry has, since the 1990s, attracted some considerable extra attention from the Australian Tax Office (ATO) with regard to its suspected tax-evasive practices and poor track record of compliance.

1.1 Focus of Analysis
The main proposition in this thesis is that a critical theory on tax compliance must concentrate on social interactional aspects. Compliance behaviours involve different types of social process. The meaningful decisions that most taxpayers make regarding their level of tax compliance are borne out of dealings with, for instance, family, friends, or business associates, and take place within their own communities. Paying one’s taxes is also symbolic; it is behaviour that is infused with political, social and cultural meaning—as well as the obvious economic considerations. Moreover, tax compliance is both socially constructed and reinforced. Thus, the proper units of analysis for a sociological study of tax compliance dynamics are groups and their social networks.

Social relations among cab-drivers are embedded within social structures (socio-economic networks) and transactions between actors are conducted in an environment of historical and culturally acquired norms of exchange. However, these market-driven relations are not entirely grounded in economic self-interest. Indeed, business relations, fiduciary obligations and the reciprocal trust expectations that arise out of these exchanges are much more than mere economic transactions, for they also embody a full set of social roles which are based on informal and non-contractual relationships (see Wiegand & Rothengatter 1999). Consequently, to better understand how complex processes of tax compliance and non-compliance of actors in the taxi-industry are facilitated and changed, the local organisational networks in which cabbies operate must be fully understood.

With specific reference to tax-evasion, the informal aspects of social relations within the taxi-industry manifest themselves covertly in the necessary forms of collusion between taxi-owners and their drivers. Reciprocal trust is required to evade one’s taxes and produce mutually beneficial outcomes. Normative and culturally reinforced expectations for tax non-compliance are deeply entrenched in the industry. Ideally, only when tax-regulators gain permanent access and an enduring presence within these organisational networks will they exert sufficient influence to secure more
effective “proximate control” (Gibbs 1989: 52-56) and successfully implement “responsive regulation” (see Braithwaite 2002; cf. Braithwaite & Braithwaite 2000).

Nevertheless, the compliance behaviours from this particular category of taxpayers cannot be isolated from a wide range of other regulations (for example, industrial and workplace relations, occupational health and safety rules, or transport regulations) that affect drivers individually and their (local) industry as a whole. Consequently, federal tax regulations that affect individual taxi-workers will, in turn, have to be understood within the context of State and Territory regulations pertaining to licensing and transport safety measures that protect taxi-owners, taxi-drivers and consumers. The latter category of industry-oriented measures and (transport) policies varies considerably between local jurisdictions and among the different States and Territories in Australia. Their semi-autonomous, regional spheres of regulatory responsibility within Australia’s structure of federalism create tensions or contradictions, and can produce a range of unintended consequences for securing and maintaining adequate sources of revenue at the national level.

1.2 Cabbies’ Tax Non-Compliance

This thesis examines tax non-compliance among Australian taxi-drivers, by extending Mark Granovetter’s (1985) sensitising and multi-dimensional concept of “embeddedness”. The principal aim is to explicate the entrenched informal economic activities of cab-drivers within the broader context of the Australian Tax Office’s (ATO) current tax-compliance policies and their associated enforcement strategies directed at the taxi-industry. The study offers a sociologically-oriented explanation for the alleged unrelenting tax non-compliance among Australian cabbies.

The primary research question addressed throughout the thesis is:

How do structural forces within Australia’s taxi-industry lead to and perpetuate tax non-compliance among Australian taxi-drivers?

A secondary question that the case-study will address is:

How do cab-drivers justify their attitudes, behaviours and discard guilt for breaching their civil duty to contribute a correct share towards the nation’s collective tax revenues?
The focus throughout this qualitative research project is based on industry-specific forms of non-compliance. It is the first Australian-based insider’s investigation into tax non-compliance among cab-drivers in three of Australia’s highest populated States and the Northern Territory. The study’s main subjects are workers who are legally classified as non-employees—and thus are held solely responsible for their own taxation affairs. Particular attention will be given to the structural opportunities that cabbies utilise to avoid proper assessment of their personal income tax liability and failure to remit the correct share of Goods & Services Tax (GST) to the ATO.

From a potential tax revenue point of view, the Australian national taxi-industry involves a significant number of people who collectively generate an estimated (based on the 2003 interview data) $2.25 billion in annual turnover. According to the ATO’s BISEP index (see appendix 2 in chapter five), the national industry comprises some 13,465 registered taxi-cabs; 10,000 taxi-operators; and between 70,000 to 100,000 licensed cabbies of whom approximately 40,000 are active drivers at any given point in time. In contrast, the national social welfare organisation Centrelink employs some 25,000 people nation-wide. More significantly, whereas taxation matters mainly involve federal (Commonwealth) legislation and regulation, the States and Territories control the regulation of passenger transport providers, including the licensing of cabs, taxi-depots, taxi-operators and their contracted drivers.

The case-study adopts Granovetter’s (1985; 2004) interpretation of Karl Polanyi’s concept of embeddedness and subsequent critiques of dominant liberal-economic and functionalist approaches that differentiate sharply between the economy and society. Utilising “embeddedness” as a sociological construct—as well as a “sensitizing umbrella concept and heuristic device” (Granovetter 2004: 133)—will enable social scientists to explore the inter-connectivity between actors’ economic activities (both legal and illicit) and the complex mix of social, political and cultural (non-economic) contexts and relations that operate throughout the taxi-industry.

In order to investigate the inter-connectivity between federal tax regulation and the different statutes and rules of the States and Territories that impact upon cab-drivers, this thesis has re-discovered and applied Kloosterman & Rath’s (2001) original concept of “mixed-embeddedness”. Their innovative approach and ideas will be able to demonstrate how a much broader range of dynamic, socio-economic and legal
elements of government regulation, for which enforcement responsibility and administrative legitimacy are divided between Australia’s separate statutory jurisdictions, provide opportunities for cabbies to evade taxes. The concept will facilitate an analysis of non-compliance by individuals that considers the industry’s overall regulatory framework and policy spheres, rather than from a narrowly defined tax-administrative perspective—a regulatory ‘silo-approach’.

The main point of departure for the thesis is to explain how industry-specific and deeply entrenched cultural expectations that come with the job of driving a cab affect tax compliance behaviours of networked individuals. The thesis will explore the two main research questions empirically through an analysis of conversations that were gathered during a number of different focus-group interview sessions among a selection of cabbies, and discussions with senior ATO officials. The inter-connectivity between the postulated structural forces and social actors “…implies that social phenomena and categories are not only produced through social interaction but that they are in a constant state of revision” (Bryman 2001: 16–18). Significant structural shifts and changes have taken place in the taxi-industry during the last two decades. However, the most important development arguably involves the confirmation by the High Court of Australia (1998) on cab-drivers’ legal status as non-employees. During a hearing before their Honours Gleeson and Gummow, on the 9th of October 1998, the High Court refused special leave to appeal the decision by the full bench of the Federal Court that had been delivered on the 15th of April the same year. As a result, the ATO were forced to introduce a range of complicated procedures to collect taxes from cab-drivers since 2000, following the introduction of Australia’s New Tax System.

The investigation into cabbies’ compliance behaviours is guided by the pivotal assertion that the entrenched non-compliant actions are a product of complex interactive social forces and social relationships which organise recursively the full content, socially constructed meanings and contested identities (Krippner 2001: 797-798) of people working as Australian cab-drivers. The explicit proposition is that a cabbie’s tax compliance behaviour, and moral identity, are not determined by inherently personal character traits, nor some fixed and irrational responses to the regulator’s enforcement initiatives from this ‘deviant’ category of taxpayers. Rather,
these intentional acts themselves represent meaningful constructs that are created, contested, renegotiated and transformed through ongoing social relations.

Following the introduction of its “Compliance Model” and the ATO’s (1998) adoption of concomitant enforcement strategies, there is a suggestion that an extended range of interdependent variables shape taxpayers’ compliance behaviours and these have been incorporated. Nevertheless, even a cursory examination indicates that the recently introduced ‘one-size-fits-all’ approach towards boosting national tax-revenues contains serious flaws. The Compliance Model is based upon Ayers and Braithwaite’s (1992) work on “responsive regulation”, which promotes voluntary compliance but will “use stronger enforcement measures on an industry or individual” if taxpayers continue to flaunt the law and their obligations (ATO 1998: 57-62). Contrary to its stated intentions and objectives, the new approach is still primarily underpinned by a “carrot-and-stick” (see Ayres & Braithwaite 1992) mentality. The ultimate overtones of the now fully adopted compliance enforcement measures are intended to produce fear and intimidation, as well as function predominantly as a means of deterrence.

As Roach-Anleu has noted, contemporary enforcement approaches are heavily based upon risk-management theories and practices that have their origins in an “insurance model of social control” that “emphasises limiting the opportunities for norm-breaking” and “minimises threats to social stability” (2006: 93) The main inference, here, is that cabbies are rational, calculative actors when it comes to paying their taxes. Moreover, the primary aim of the regulator is to make taxpayers internalise a compliance morale that will lead to reflexive self-regulation as a more efficient model of social control (2006: 91). However, the ATO’s current national tax-compliance model does not consider adequately the structural contradictions contained within the broader legislative framework that impact upon the taxi-industry. To the contrary, the mal-integrated regulatory framework that affects the industry nationally stimulates non-compliance. Moreover, both economic factors and non-economic considerations shape cabbies’ meaningful and intentional actions, and thus influence their “motivational postures” (see Braithwaite 1997) vis-à-vis tax-regulators.

When the Australian Federal Government introduced its New Tax System in July 2000—including a series of complex new compliance measures linked to the Goods
and Services Tax (GST)—many taxi operators were surprised about the ATO’s overt lack of understanding of the full ramifications vis-à-vis the nation’s taxi-industry. The new measures require that all bailee-drivers (the legal term used for taxi-drivers) will now have to apply for and be granted an Australian Business Number (ABN) and submit their own Business Activity Statement to the ATO at regular (usually quarterly) intervals. The latter requirement requires cabbies to maintain accurate records of every transaction that takes place in their cab during a shift—in an industry that historically and culturally eschews formal accounting and maintaining accurate financial records. More significantly, members of drivers’ associations and many cab-operators regarded the prescribed tax-enforcement measures pertaining to taxi-workers as providing an unintended encouragement for their ongoing tax-evasion, rather than achieving improvements in voluntary compliance (see chapter four). The case-study will investigate how these seemingly unintended consequences are attributable to a combination of fundamentally mal-integrated policy initiatives within the confines of the two-tiered system of governance (Commonwealth and State/Territory governments) in Australia. It highlights how a lack of decisive agreement between different levels of government can undermine the ATO’s tax reform efforts and its associated “corporatist” style of policy-making (Head & Bell 1994:55).

These predominantly partisan political tensions with regard to the governance of the nation-state incorporate a combination of

...bureaucratic rivalries, jurisdictional disputes, partisan differences between governing parties and buck-passing between State and Commonwealth Governments, as well as the alignment of State Governments with particular regional economic interests. Interstate economic conflicts are often translated into policy conflicts within the federal arena. This is because the Federal Government controls exports, tariffs, imports, foreign capital inflows, company [and personal] income tax, export incentives and other policy areas which have a differential impact on the various clusters of industries located in different States (Bell & Head 1994: 5-6).

Chapter five of the thesis will elaborate on the political subtleties and obstacles that are involved in establishing a more efficient tax-enforcement system on a national basis. More significantly, the study will illustrate how the tax-regulator’s widely
perceived impotence in gaining more equitable remunerative and secondary rewards for taxi-workers (who shoulder the brunt of major structural, macro and micro-economic reforms) can be associated with the taxi-industry’s reforms under National Competition Policy. The resilience of tax non-compliance by Australia’s cab-drivers will be linked to a perceived lack of social justice, distributive equity, trust and procedural fairness within the current tax system. The tax-regulator’s apparent perseverance in choosing to ignore a mix of potent structural, and causally independent, social forces contributes towards and continues to shape Australian cabbies’ non-compliant postures and actions.

The following sections of this first chapter set out the broader political and economic landscape, briefly discuss the history of taxation, and elaborate upon the social problem of tax non-compliance. These sections serve as an introduction to some of the more complex operational aspects of tax-regulation by the state\(^4\). These also address the major regulatory dilemma of policing the tax compliance behaviour of people who continue to work in what is a fundamentally cash-intensive industry.

1.3 A Condensed History of Taxation
Throughout history, rulers, kings, noblemen, and religious leaders, have used different forms of financial contributions, barter, and contra-labour, in exchange for protection under the rule of law, social order and provision of physical and financial security. Hence, certain notions of “the state”—viewed as the collective of socially constructed mechanisms that control and service populations—have existed for several millennia (Fukuyama 2004: 1). The expansion and dispersion of vast populations into major urban centres caused a diminishing role for the traditional rulers of agriculture-based, feudal communities and intensified the need for a different style of governance. Subsequent phases of industrialisation changed the ways in which large populations were managed and how the common good was to be distributed.

With the rapid expansion of functions in the governance of modern nations, indirect taxation became one of the main mechanisms for providing benefits that were financed and protected by institutionalised forms of tax-enforcement, thus increasingly affecting citizens at large. This type of taxation comprised, typically, death duties and stamp duties on the transfers of estates and property holdings.
Indirect taxation was restricted in its application and affected mainly the wealthier classes. It was not until the post-war years of the mid-twentieth century that “mass taxes”—for example, income, corporate and consumption taxes—had fully evolved and manifested their considerable influence upon social, political and economic developments in most Western-industrialised democracies (Steinmo 1993: 22).

National sentiments with regard to paying tax may vary from country to country. Alm’s overview of the increasingly sophisticated field of economic and sociological research in this area offers a direct conclusion:

A last factor is ‘social norms’, which I believe may well be the most important factor. It is clearly difficult to be precise on the exact meaning of social norms (Roth, Scholz, and Witte 1989). However, there is overwhelming evidence that many countries with roughly the same fiscal system also have far different compliance experiences. The only possible explanation that I can suggest is that these countries have very different notions of what is socially acceptable behaviour; that is, they exhibit different social norms (1996: 108).

Cross-cultural studies on the national tax compliance of certain European social-democracies indicate that a strong “tax morale” is associated with citizens’ confidence in the legal system, the “legitimacy of political institutions” and their government’s efforts to redistribute tax revenues in an equitable fashion (Togler & Schneider 2007: 444; 465). However, in countries like the United States of America and Australia, paying taxes is unlikely to be popular among each and every individual citizen to the same degree, nor is tax-reform always received with a great deal of enthusiasm if personal interests are seen to be eroded.

Partly due to the nation’s colonial past and its historical frontier-mentality, Australians tend to, in general terms, display a cultural irreverence for any government interference with an individual’s pursuit to improve one’s financial riches and social standing. Alternatively, people who are subjected to externally enforced tax transfers have always been able to devise some practical means to avoid parting with personal gains or fortunes, land and other asset holdings. Consequently, paying tax is hardly ever regarded as a pleasant experience or seen as a normative decision that most citizens would make without any reservations or in the absence of some forms of sanctioned enforcement measures (see Wiegand & Rothengatter 2000).
The first Commonwealth *Income Tax Assessment Act* was passed in 1915 in order to raise revenue for Australia’s support of Britain’s involvement in the First World War. Up until 1923, Australian tax payers were subjected to two separate forms of Income Tax and had to file two tax returns; one for the Commonwealth and one for their respective State government, which was eventually changed by allowing the States to also collect tax on behalf of the Commonwealth. “Some degree of concordance was achieved in 1936 when the *Income Tax Assessment Act 1936* was introduced as the result of… the Ferguson Commission… [and] became the model for the States”…. This dual levying of taxes was revised in 1942 when the High Court upheld the Commonwealth’s constitutional validity to collect income taxes (usually referred to as the first *Uniform Tax Case*). “This system effectively precluded the States from raising their own revenue through an income tax” and the 1936 Act remained the foundation of national tax legislation until the “structural overhaul in the latter half of the 1980s… attributable to the tax avoidance activities of the 1970s” (Cooper, Deutsch & Krever 1993: 2-6; 2-7).

Nevertheless, the evolution of Australia’s national tax system and adaptations to the nation’s tax-mix during the last century can also be viewed in the context of, broadly, four distinct stages, during which “significant political ideas, social forces, economic imperatives and technological advances” took place (Steinmo 1993: 16). Various stages of convergence brought about specific taxes (that is, direct, indirect and consumption taxes) and particular enforcement measures that reflected the need for increased revenue and political demands for fairer taxes. Furthermore, tax policies followed an economic imperative for the nation’s tax-base to expand in order to meet the collective needs of its growing population.

1.4 Post-Industrial Developments
Steinmo’s summary of three pivotal stages in the development of tax systems is rather illuminating:

The first phase, marked by the introduction of progressive taxation at the turn of the century, was a response by political elites to the changing political reality that surrounded them—chiefly, democratization and the demand for greater social and economic equity. The second stage witnessed a massive expansion of taxation on all classes in society. This change was the result of an uneasy compromise between the Left and the Right over the role of the
modern state in the society and economy and over the basic framework for financing that state. The third stage is a product of the huge revenue explosion made possible by both the economic growth of the 1950s and 1960s and the continuance of wartime taxes that produced seemingly limitless sources of revenue at relatively limited political costs… (1993: 21).

Although not specifically explored in great detail (but recognised as the fourth and presently still unfolding stage in tax policy developments), Steinmo (1993) refers to the rise of neo-liberal sentiments with regard to the forces of marketisation, privatisation and globalisation. Their respective influences on public policy have led to less government interference in commodity markets, the deregulation of financial institutions, and the significant reduction of government expenditures in most policy spheres, particularly in social welfare.

According to Steinmo, the major consequence of recent changes in policy direction is that

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\text{[I]n this case, the excesses and abuses of taxation policy, on the one hand, and the growing internationalization of the world economy, on the other, are imposing a new set of constraints and are forcing a reconsideration of the very principles upon which modern tax systems stand (1993: 21).}
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With regard to Australia’s economic development and growth, the nation’s taxation system has continued to be challenged under the ubiquitous forces of neo-liberalism, globalisation\(^5\) and corporate managerialism, since the 1980s (Muetzelfeldt 1992; Bell & Head 1994; Martin & Schumann 1997; Stilwel 2000; Western et al. 2007). More significantly, a series of macro and micro-economic reforms during the 1990s have dramatically changed the lives of a great number of Australian workers.

These emergent different economic forces and consequences can all directly be linked to Australia’s New Tax System. That is, they are the main reasons for supplementing direct personal income and corporate taxes within the nation’s deteriorating tax-base (Martin & Schumann 1997) typically by expanding revenue streams from creeping personal income tax rates and broad-based consumption tax—a Goods and Services Tax (GST). Australia’s GST was introduced on the first of July, 2000.
This brief historical account of taxation also reflects the dynamic nature between regulatory measures and significant developments in economic and political spheres of social life. Hence, taxation is much more than the simple raising of revenue streams and an equitable redistribution of wealth by a neutral arbiter—the state. The effectiveness of taxation policies can only be measured by the degree of success and legitimate means that tax regulators impose in securing the rightful and equitable tax contributions from each citizen—that is, the levels of strength of lawful tax enforcement initiatives. The main considerations here evolve from the question: “Who gets what and who pays for it?” (Steinmo 1993: 3).

At the heart of the major regulatory drama is the legitimacy of the state’s activities and how citizens perceive the fairness of revenue raising policies, enforcement practices and the degree of equity that is reflected in the redistribution of the nation’s collective wealth. In short, the “overall performance” by governments plays a very significant role in the stimulation and improvement in the level of voluntary compliance by tax-payers (see Uslaner 2003). More importantly, taxation policies must always be regarded as being embedded in a much broader framework of government measures and policy spheres that, presumably, attempt to achieve equitable outcomes and distributive justice among citizens. Consequently,

[A]ny tax system embraces a complex mix of competing goals, ambitions, and considerations. Raising revenue, redistributing income, encouraging savings, stimulating growth, penalizing consumption, directing investment, and rewarding certain values while penalizing others are just some of the hundreds of goals that any modern government tries to promote with its tax system…. Particular outcomes, like the distribution of effective tax burdens or the reliance on one type of tax versus another, are never the result of a single choice abstracted from the maze of decisions and goals that affect any modern taxation system (Steinmo 1993: 4).

In Australia’s case, the 1980s and 1990s are generally regarded as the most significant era of profound changes to public policy since the Second World War. According to Western et al. (2007), the election of the first Hawke Labor government, in 1983, saw the beginning of some major transformations in economic policy, educational strategies and funding arrangements, industrial relations and social
policy, as well as a particularly strong focus on tax-reform. Alternatively, during the ‘decades of greed’, community perceptions about an escalating cash-economy problem saw the ATO respond swiftly to this “moral panic” (Cohen 1980: 9), revise its compliance measures and subsequently increase the efficiency of its enforcement procedures. Australia’s first Cash Economy Task Force was formed in 1996, and the publication of its second report—“Improving Tax Compliance in the Cash Economy” (ATO 1998) illustrates the profound changes that the ATO has since adopted with regard to compliance enforcement. The “Taxi Industry Project Initiative”, which was commissioned especially to tackle tax evasion by cab-drivers on a national basis, was launched in July 1994 (ATO 1998: 7).

1.5 Tax-Evasion: A Social Problem
Paying taxes involves an intrinsic “social dilemma” (Wenzel 2001a: 4). Taxpayers are faced with various contradictions and tensions between their perceived self-interest and the interests of all members of society—the common good. An obligation to contribute financially to society tests many a taxpayer’s social conscience at the individual level. It involves making choices between instrumental, calculated self-interests and a person’s moral support for far more abstract notions of mutual obligation and civic duty that enables a fair redistribution of a nation’s collective wealth. However, these conflicting forces that influence tax compliance behaviours are, as will be argued throughout this thesis, predominantly a product of discursive processes and social constructs, which evolve from deeply entrenched social, political, moral, economic and philosophical ideologies, as well as culturally specific practices.

National governments need money to fund programs that provide proper health care, education, roads and public works, social welfare, pensions, administrative support systems, and the like. Tax-regulators have the task of administering a nation’s tax system and endeavouring to collect taxes from individuals and corporate entities in an efficient and equitable manner. However, the integrity of any tax system is very much dependent on citizens’ trust in a government’s rules and regulations, as well as the cooperation from all taxpayers. In any case, improving taxpayers’ voluntary compliance is extremely difficult—if not almost impossible—to regulate formally with regard to people’s dealings in the cash-economy. More significantly, the existence of a substantial informal economy within particular industry-sectors, and tax non-
compliance from taxpayers who operate in cash-sensitive environments may erode the tax morality of other taxpayers, thereby spreading a culture of grievances and negative attitudes towards governments that, in turn, may stimulate further tax non-compliance. Australia’s taxi-industry is notorious for its non-compliance and cabbies are generally not shy when talking about their illegal activities (see Boag 1990; Boreham 1994).

A popular and commonsense justification for deviant tax-behaviours often invokes the following rationale and broad-based neutralising statement among cab-drivers: “If no-one else pays their rightful amount of tax, why should I?” The perceived consensus among cabbies is that, because of widespread tax-evasion in many other business sectors and from individuals who have opportunities to minimise their taxes, likewise they are doing the right thing by not complying. As the analysis of the verbal accounts will illustrate (see chapter four), cab-drivers are very much influenced by notions of “false consensus” and the operation of different forms of “pluralistic ignorance” (Wenzel 2001b: 1-2) that reverberate throughout the taxi-industry. Alternatively, taxpayers’ stories about cheating the tax man successfully can be viewed as quasi-heroic success stories for outwitting a wasteful governmental system. In the case of cabbies, non-compliance symbolises political contempt for a tax system that treats them unfairly. It expresses collective resentment towards negative experiences with an exploitative industry environment that prevents cabbies from receiving similar benefits and tax-funded redistributions that other workers in the transport sector enjoy.

1.6 Cabbie Rationales

Cab-drivers experience high levels of marginalisation and social inequity with regard to “procedural justice” (Murphy 2005) and distributive unfairness that is inherent in their precarious job and legal status as non-employees. As expressed by one participant in the Melbourne focus-group interview, cabbies feel like “they are shit” and the industry has a major problem with its public image. Moreover, many cabbies see themselves as ‘battlers’ and socially isolated individuals who have limited professional career commitment and do not associate with the corporate identity of their depots. Rule-breaking (for example, speeding, drug-taking or running traffic lights) is seen as a coping mechanism for stress and tax non-compliance is largely an adaptive response in order to survive (see Sheahan & Smith 2003).
According to Wenzel (2001a: 4-5), a strong sense of belonging to “the collective to which taxes are contributed and within which public goods are shared, that is, national identification” and non-compliant taxpaying behaviours are inversely related. Moreover, taxpayers’ perceptions of a government’s overall lack of performance, trustworthiness and honesty, are significant excuses for non-compliance with tax laws and other regulations (Nadle 2002; Uslaner 2003; Murphy 2004). It can thus be argued (whether convincingly or not) that cabbies’ lived-experience of blocked mobility and ongoing marginalisation becomes one of the main mechanisms for neutralising any feelings of guilt about deliberate non-compliance. That is, tax-evasion can easily turn into one of many excuses for not contributing financially to a civil society which has not fully accepted them as worthwhile citizens.

Australian cabbies have established solid reputations for sharing ‘pearls-of-wisdom’ and suggesting some street-wise and simple solutions for mitigating many of the nation’s social injustices during their fleeting encounters with passengers. However, they have also gained a rather poor track-record and a questionable public reputation, when it comes to their tax compliance record with the Australian Tax Office and overall size of the cash-economy within their industry. Any person who has ever driven a cab in Australia—and as a part-time driver, in particular—will be able to recall how (extra) taxi-income has been either omitted partially (or not been declared at all) on one’s annual income tax assessment form. Moonlighting has been institutionalised and deeply entrenched throughout the industry ever since the 1920s. The job’s informal benefits, making up the total reward (see Mars 1983), have been tolerated for decades as part of rewarding people’s initiative to earn some (extra) income. It represents one of the cornerstones of Australia’s national identity. That is, egalitarianism is epitomised by profitable personal initiatives, thus supposedly offering all citizens opportunities for financial success and upward social mobility.

However, the state’s influence with regard to the settlement of conflicts between the providers of capital and labour within the taxi-industry can be attributed to the industry’s bailment system (see Endnote 2) that has operated since the 1920s. For cabbies, the principle of negotiating a fair reward for their activities has been eroded ever since. This historical remunerative arrangement and its resultant lack of secondary employment benefits are to be regarded as a major cause of cabbies’ non-compliance. The industry’s peculiar industrial relations tradition provides an
additional neutralising mechanism for tax non-compliance by invoking a “defence of necessity” (see Minor 1981) as a legitimate (although illegal) justification in order to sustain basic needs. Ironically, the institutionalised bailment arrangement itself prevents the ATO from enforcing the withholding of taxes (both income tax and GST) by taxi-operators on behalf of their contracted drivers.

1.7 Industrial Relations in the Taxi-Industry and Politics

One of Australia’s milestone events for workers has been the establishment of the Commonwealth’s Arbitration Commission in 1904 (ACIRRT 1999). The Commission was the first expression of the state’s capacity to regulate a “social settlement” between the providers of labour and capital, which resulted in the famous Harvester Judgment that was handed down by Justice Higgins in 1907. The Commission’s ruling provided a basic wage that:

…was set at an amount that enabled a worker to live as a ‘human being in a civilized community’ and to keep himself and his family in frugal comfort.… This meant that the basic wage was a guarantee of livelihood; it placed a floor beneath those workers whose weak bargaining position might otherwise have left them exposed to dire poverty.… Regulation of wages became institutionalised in the Award system… (ACIRRT 1999: 13).

Arbitration has been, until recently, the major legal industrial mechanism that protected Australian workers in most industries and sectors from adverse economic developments, power differentials and unbridled exploitation. Moreover, with the various waves of immigration during the 1950s and 1960s, the Australian trade union movement gained widespread influence and a significant power base in negotiating conditions and wages on behalf of most workers.

From 1983 to 1996, social and economic reforms during thirteen years of successive Labor Governments (under Prime Ministers Hawke and Keating, respectively) can generally be attributed to the strength and consensus on a series of arrangements that were forged between the Australian trade union movement (ACTU), the Commonwealth Government and major national industry/employer bodies. The successive ‘Accords’ were designed, as was claimed by the Labor party at the time, with a view to secure both the competitiveness of Australia’s economy in global export markets and maintain an equitable social settlement (see Dabscheck 1994:...
Restrains in wage-demands from workers and productivity increases were achieved, while significant macro and micro-economic reforms took place. Australia’s currency was floated and the banking sector was deregulated to secure investment capital for Australia’s expanding economy in a globally competitive environment of international trade and finance.

Nevertheless, major industrial and micro-economic reforms tend to produce both winners and losers. In Australia’s case, it appears that the focus of the economy shifted from an already low manufacturing base and traditional primary industries to a more services-oriented economy (banking, finance, insurance, trade, communication and information technology, health, education, tourism, hospitality, et cetera). Consequently, the period under Labor has been characterised by numerous socio-economic reforms, financial crises and persistent budget deficits. Many Australian workers endured great financial pains, and the strength of the government’s arguments of the time managed to prevent a return to the days of serious industrial disputes and considerable losses in productivity by means of localised industrial actions or national strikes. On the other hand, the different rationalisations of both the public and private sectors caused a significant increase in the casualisation of work (and for middle-aged workers, in particular) during the late-1980s and early-1990s. Moreover, these economic reforms over a period of about thirty years were accompanied by high and sustained unemployment (Campbell 1999; Campbell & Brosnan 1999; Burgess & Campbell 1998; Dallago 1990; Dow 2007).

Among those who were retrenched and received a redundancy package, some were only able to find employment in relatively unskilled jobs in the secondary labour market. For others and more entrepreneurial-minded people, self-employment in small-businesses, consultancies or the purchase of a taxi-cab became their main source of income. However, it was not until the mid-1990s that Australia’s state-brokered social settlement for the majority of wage earners was interrupted again and replaced by Australian Workplace Agreements (AWAs) that heralded the formal ratification of individually negotiated labour contracts in most sectors of the economy. Alternatively, the contracting of a flexible (casualised) workforce suits the taxi-industry perfectly because the bailment arrangement is able to accommodate the strong fluctuations in the demand for taxis.
In any case, changes to the status of cabbies would have required for the States and Territories themselves to sort out, since public transport (including taxis) is purely a regulatory matter of their concern. The most significant features of transport policies for the last fifty years have been consumer protection and the regulation of licences. That is, regulation of the taxi-industry is mainly based upon regular reviews with regard to the demand for this type of private transport on an ‘as-by-need’ basis, that was traditionally conducted by local councils. With the exception of the Northern Territory, the issuing of taxi-licences everywhere else in Australia takes priority, while enforcement of safety rules and working conditions for cabbies are regarded as problems that the industry itself needs to rectify.

Strict regulation of licences stops the unbridled operation of marketisation forces that are aimed at the stimulation of competition, which will supposedly achieve further business efficiencies and lower prices for consumers, according to neo-liberal economic theory. However, State and Territory transport authorities had already been convinced by the influential taxi-industry lobby (ATIA) that maintaining regulation was a prerequisite for securing public safety and protection of consumers against predatory pricing by unscrupulous operators. In any case, a more accurate observation has been put forward by Albon and Lindsay who suggest that

> Perhaps the best evidence in favour of the view that occupational regulation is for the benefit of the regulated comes from an examination of the demand for regulation... [it] does not come from the users of services as might be expected if, as some suggest, it is truly in the interest of customers. Rather the pressure emanates from the groups who are regulated (1984:6).

Consequently, government intervention in the supply of taxi-cabs creates and maintains a local monopoly in small townships or an oligopoly among the established depots in densely populated metropolitan centres. The rapid growth in urban populations, the expansion of the entertainment and hospitality sectors, and significant tourism since the 1970s have, thus far, not caused any significant market-driven adjustments to the number of taxi-licences anywhere in Australia. To the contrary, the industry’s lobby (ATIA) has hitherto obstructed the full deregulation of the sector and instead achieved a softening of both licensing conditions and statutory prerequisites pertaining to the ownership and the operation of cabs.

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The so-called assignment of a taxi-licence was first introduced in 1986 in the State of Victoria, soon followed by New South Wales and Queensland. The recommendations of the 1985 Foletta Report—which addressed issues involving taxi-zoning and adequacy of existing service capacity—enabled Victoria’s transport authority to release effectively one hundred and sixty new cab licences by rezoning a previously classified ‘Urban Area’ (Frankston/Dandenong) into the Melbourne Metro taxi-zone. Moreover, it abolished restrictions on the leasing of any existing licences throughout the State, which saw the market value of, for example, a Melbourne cab-licence hit an all-time high of approximately $340,000 in the mid-1990s. Alternatively, it enabled some drivers to become self-employed and operate a cab for their own account by paying the owner of the taxi-plate a lease-fee of about $2,400 per month (cf. Rothengatter 1996).

Prices for a taxi-licence in most metropolitan zones on the Eastern seaboard have been rising steadily since assignment became legal. As a result, taxi-plates continue to be an attractive investment proposition for individual speculators or large investment entities that manage a portfolio of licences on behalf of ‘absentee-landlords’—not unlike property investors. As will be discussed in more depth in chapter four, increases in the value of a cab’s licence sustain the already inequitable division of income between providers of investment capital and those who can only offer their labour and driving-skills. The main reason for cabbies missing out on gaining better pay conditions and entitlements can be traced back to the 1920s, when their status as employees was abolished and commission-like arrangements were first introduced. In addition, cabbies’ historical lack of unionisation has meant that they have never been recognised as a party to the union-government wage negotiations throughout the last thirty years. However, the ATO’s suspicions about the extent of cash-economy activities and tax-evasion by the industry put the employment status of cabbies, once again, on the legal-political agenda, in the mid-1990s.

1.8 Bailees—Lessees or Employees?
Based on the strengths and opportunities for a strongly organised labour movement to pursue collective bargaining, the award system only served Australian cab-drivers during the first two decades of its existence and up until the economic crises that lead to the Great Depression. Other than in New South Wales, cabbies in Australia
were completely cut off from the very mechanisms that had secured up until then a fair social settlement for them. Indeed, the 1920s would prove to be one of the most significant turning points for taxi-workers in their ongoing battle for legal recognition as employees and better working conditions.

The historical turning point in respect of taxi-licensing and the way taxis operated was the advent of cab-companies, depots and cooperatives in October 1924, following the introduction of Yellow Cabs by three Melbourne entrepreneurs. As a result of the Great Depression and a total lack of entry restrictions, many illegal operators had started their own taxi business by using privately owned vehicles. In response, and in competition with legal and illegal individual owner/drivers, the larger companies introduced the concept of hiring-out cabs to drivers on a ‘percentage-of-takings-basis’ rather than by paying them a fixed weekly wage. That way they were able to keep their fixed-costs and wages down, and thus maintain some kind of profitability. It resulted eventually in a downgrading of the quality of labour and aggressive fare seeking practices among drivers. The industry was due to collapse into total chaos, and under the relentless pressure from both the legitimate single operators/owners and cab-companies, the Victorian Parliament passed the Carriages Act of 1932, which formally empowered Melbourne City Council to restrict the issue of licences and prescribe maximum and minimum rates for cab-fares. The new rules came into force towards the end of 1937. The cab-industries in Sydney, Brisbane and Adelaide followed a similar path of development and introduced various statutes that regulated all aspects of taxi-transport (see Rothengatter 1996).

The most significant implication for all Australian cab-drivers ever since the 1930s has been the permanent change in their legal position from employees to lessees. This historical introduction of a highly flexible workforce into the industry has brought significant benefits to cab-owners ever since. The commercial risks that are involved in operating a transport service, which is subject to strong fluctuations in demand and thus financial return, were chiefly passed on to any drivers willing to lease the cab. Conversely, commission arrangements secured a constant source of weekly income to the owners without having to drive the cab around the clock themselves. The main implications for taxi-workers were that
[I]t discouraged unionisation, gave drivers an incentive to find more business, and later meant that the influence of bodies such as the Arbitration Commission was minimal.... The introduction of leasing, which legally made drivers self-employed, effectively prevented the drivers' union from ever becoming a force in urban transportation, and allowed a widening wage differential between drivers' wages and the wages of other workers (Williams & Aitken 1984:178-9).

This fundamental change still bears its full effect in today's taxi-industry. Most Australian taxi-drivers work on commission arrangements that are based upon the industry's original Standard Lease Agreement, which puts them in the category of self-employed contractors, also known as lessees or bailees (cf. Endnote 2). Consequently, many privileges—gained through subsequent industrial legislation and enjoyed by most other employees—do not apply to taxi-drivers. Moreover, Australian cabbies have never been known for their ability to take up a membership with the Transport Workers Union (TWU) nor have they been represented to any significant degree at tribunal hearings that determine the maximum price of taxi-fares, which set the basis of potential income for drivers. Union membership is either viewed as too expensive or unnecessary by most drivers, who either regard the job as temporary or a part-time activity to earn some extra cash.

The sole exception is New South Wales, which has specific State legislation and a review mechanism (IPART) in place, that considers the requests for fare increases from mainly the taxi-council, cab-operators, the TWU and drivers' associations on a regular basis. Nevertheless, the historical lack of broader involvement of the trade union movement with the industry persists, except for the odd occasions where death or serious injuries to cab-drivers have been raised as Occupational Health & Safety and public interest matters during coronial inquiries. Coincidently, in all States and Territories it is now compulsory for cab-owners and operators to take out workers' compensation insurance (WorkCover in Victoria) for their drivers.

In spite of various attempts by activists and drivers' associations to make a case against cabbies' non-employee status before transport authorities and various industrial tribunals, the convergence of political and economic forces of the 1980s and 1990s prevented any success. As a result of a series of protracted negotiations between the ATO and the ATIA, parties eventually agreed to launch a legal test-case
in order to revisit the formal status of taxi-drivers. The ATO agreed to pay for the ATIA's considerable legal costs of hiring its legal team. Moreover, the ATIA had obtained a political guarantee by the Liberal-National coalition parties that they would not introduce federal legislation to change the employment arrangements for cabbies if the courts were to confirm the status quo. The test case commenced in the High Court of Australia but was subsequently remitted to the Federal Court.

The initial case, formally known as: **DE LUXE RED AND YELLOW CABS CO-OPTERATIVE (TRADING) SOCIETY LTD. & ORS. v. COMMISSIONER OF TAXATION**, was heard by the primary Judge of the Federal Court (Justice Hill 1997) in early August 1997 and dealt with the following basic questions:

**Income Tax** – whether taxi drivers are “employees” – whether payments to drivers constitute “salary or wages” under s221A(1) of the **Income Tax Assessment Act 1936** – whether taxi operators are required to deduct tax under s221C(1A) of that Act 1936.

**Superannuation** – whether taxi operators are required to pay a superannuation guarantee charge in the event of any shortfall – s16 of the **Superannuation Guarantee (Administration) Act 1992**.

In his judgment and orders dated the 28th of August, 1997, Justice Hill held that the payment arrangements within the industry did not give rise to the payment of salary or wages; that there was no obligation for taxi-operators to deduct any amount of income tax; that the parties involved in the industry’s common payment arrangements were not in a relationship of employer and employee within the meaning of those terms; and that there was no liability for taxi operators to pay the superannuation guarantee levy (FCA 840, 1997).

The ATO's appeal before the full bench of the Federal Court of Australia commenced later in 1997 and judgment was delivered on April 15th, 1998. The full bench of the Federal Court ruled—by majority assent—that a late-nineteenth century common law principle and subsequent legal precedents, which classified London’s Hackney-Cab drivers as bailees for reward, were to be upheld. Moreover, the three Judges (Beaumont, Foster and Sackville) dismissed the additional grounds for appeal by the ATO and reconfirmed that the relationship between owners or operators and their
drivers was one of bailment rather than of employment or the provision of labour (98 ATC 4466).

On the 9th of October, 1998, the ATO applied for special leave to appeal in the High Court of Australia (HCATrans 362). In a hearing that only lasted thirty minutes, their Honours Gleeson (Chief Justice) and Gemmow were unanimously of the view that the decisions by the lower Courts “turned on the application of well established principle” and that there was “no sufficient reason to doubt the correctness of those decisions”. The main argument that was upheld evolved around the notion that “part of the significance of the bailment relationship is that it explains the direction in which the money flows” (Chief Justice Gleeson) between bailee-drivers and taxi owners/operators. In an interesting exchange between Justice Gummow and the ATO’s Queen’s Counsel (Mr. Keane) his Honour also suggested that the case could be viewed as “an invitation to more specific legislation” to break the confusion about the existing relationship and look at the “multi-factual” aspects of employment relationships. However, Chief Justice Gleeson quashed any further hopes for the ATO to revisit the case, in the following exchange:

Mr. Keane (QC): Your Honour, in our respectful submission, it must be possible for us to know something more about what is meant when we speak of employment relationships than just have a look at all these facts and see if you can paint a picture or see if you can see something in them.

Chief Justice Gleeson: The revenue authorities have been pushing this envelope for years, Mr. Keane. They have been arguing, both at State and federal level, about whether people are employees or independent contractors but they have never amended the Act [Income Tax Assessment], have they?

The High Court’s 1998 final adjudication and refusal to grant leave to appeal have effectively confirmed the historical position of taxi-drivers as independent contractors, or bailees, thus causing a significant obstacle for the ATO in its attempt to draw taxi-drivers into the (then current) Pay-As-You-Earn (PAYE) tax-net. The only way around the problem now is for the ATO to legislate for a different relationship like the States and Territories have done with regard to workers compensation entitlements, thus deeming cab owners/operators to be employers. The 1996 election of the Liberal Coalition government has made it almost inconceivable for the Commonwealth to
legislate for cabbies’ status as employees in a political environment that heavily promotes individual workplace agreements and the undermining of every form of collective bargaining. Alternatively, the High Court’s ruling has also meant a setback and further disappointment for taxi-drivers who had hoped for a more equitable remunerative arrangement and better secondary working conditions. In short, the current alienation of taxi-drivers is not contributing a great deal to altering their perceptions about principles of fairness and equity that are a prerequisite for voluntary compliance. As will be discussed in greater detail later, the High Court’s 1998 decision continues to also have serious (and presumably unintended) regulatory implications for tax-administrators, and causes significant problems for collecting both proper income tax and the GST on taxi-fares that is currently collected by cab-drivers.

1.9 Changing Sources of Tax-Revenue—Different Enforcement Measures

Australia’s recent tax reform initiatives and the introduction of a broad-based consumption tax in the form of the Goods and Services Tax (GST) in 2000 can, to a large extent, be viewed in terms of major shifts that have occurred in the country’s national revenue structures. The successive decline of revenue collections from transnational businesses may be attributed to globalised economic and geopolitical forces. Both transnational corporations and medium-sized firms are, nowadays, capable of systematic exploitation of differences between national tax systems by means of transfer-pricing. The deregulation of the financial system and modern ICTs enable the shifting of large amounts of money around the globe at any given moment and regardless of time-zones. The combined effects have, in relative terms, seen fiscal pressures increase for those taxpayers who do not have similar access to these typically tax-minimising (legal) structures and mechanisms. On the other hand, shifts in the overall tax burden towards self-employed people and wage or salary earners (the majority of voters) have forced tax-regulators to maximise the potential tax-collections from domestic sources (see Martin & Schumann 1997).

The ATO had been given the difficult task to simplify Australia’s tax-mix and overhaul the existing tax system, including some proposals for significant reforms to the regulator’s existing compliance measures, tax-enforcement strategies and their projected efficiency outcomes. However, the government’s preferred options of the Draft White Paper did not gain sufficient support and the debate on substantive tax-
reform gradually disappeared for a while. Even though peripheral amendments were made with regards to income tax concessions and deductions, a complete overhaul of the tax-system and necessary reforms to broaden Australia’s tax-base did not reappear until the Liberal and National parties—in opposition to Keating’s Labor government—released their “Fightback!” proposals in 1991 (see Cooper et al. 1993).

Meanwhile, the main focus of Labor’s economic and taxation policies remained on budget deficits, national superannuation, industrial relations and tackling the allegedly out-off-control magnitude of the cash-economy. As a result, the ATO’s energies and regulatory initiatives were directed towards identifying and prosecuting the main culprits and industry sectors involved in tax-evasion. It was during the early-1990s that the taxi-industry was first targeted and subjected to the ATO’s extensive auditing activities on a national basis (ATO 1998). However, the Keating Labor government lost the 1996 re-election campaign in favour of John Howard’s Liberal-National opposition team on grounds of the latter’s proposed reform agenda for industrial relations, economic management and broad-based taxation reforms—including the introduction of a revamped GST.

1.10 Not a “New Tax” but a “New Tax System”
The election of a Liberal-National government in 1996 replaced a long period of macro-economic management, a major restructuring of various key-industries, and a series of union-government ‘Accords’ covering wages. The change in government coincided with a significant change of ideology and different practical approaches to public policy-making. A major overhaul of the nation’s industrial relations system—not clearly placed previously on the then opposition’s political agenda—was swiftly added to the list of policy initiatives promoting Australia’s national interest. The politically contentious and extensively debated tax reforms of 1998 heralded the start of the long-awaited promise for a complete overhaul of Australia’s existing tax-system. This time around, the government claimed to have been given an open mandate by the Australian electorate. On the other hand, the anticipated fiscal consequences signalled a new era in national governance (new federalism) and proposed some major changes to the ways by which constitutional funding arrangements and the redistribution of tax-revenues between the States/Territories and the Commonwealth were going to take place.
Tax compliance enforcement and its related administrative issues were temporarily put into the background, while most energy was directed at fast-tracking reform proposals and the pending implementation of the new Goods and Services Tax. According to senior ATO staff, all previously started enforcement projects were more or less abandoned or put on hold, while the main buzz-words were tax-reform and GST (Wiegand & Rothengatter 1999). Moreover, local operational customs and tax-enforcement practices from ATO operatives, which had endured decades of inattention or were hitherto condoned as part of the (unofficial) discretionary powers of regional tax-regulators, came under intensified scrutiny by the federal government on a national basis (see Shover et al. 2001: 2).

However, the Australian Tax Office is not totally immune to the socio-economic and political developments that affect Australian taxi-workers, but is implicated in democratic processes that seek to establish changes to the nation’s tax-system. Major tax-reforms are not limited purely to some regulatory measures or the technical and administrative aspects of tax-enforcement. To the contrary, tax-reforms also involve a social construction of the legal rules and schema that affect the “everyday economic meanings, identities, roles, relationships and structures, and norms, values, ideas and ideals” of taxpayers (Stryker 2003: 335).

Tax-reforms, in particular, tend to involve many interest groups that seek to influence highly complex policy-making processes to their constituents’ advantage. Unfortunately, Australian taxi-drivers have never been able to produce a united front, nor the kind of institutionally recognised status that is required to mobilise sufficient power to influence policy-making processes on a national basis. Even though the Australian Transport Workers’ Union (TWU) maintains that it has always been willing to represent the interests of taxi-drivers, the actual paid-membership among cabbies is almost negligible. Therefore, the most powerful interests within the Australian taxi-industry—that is, the ATIA—effectively controls the social, economic, legal and technical discourses involving the tax compliance of taxi-workers.

Following the collaboration between the ATO and the ATIA in the bailee test-case, the industry’s strategic position with regard to the introduction of the GST was quite clear. Based on the strength of the judgement, cab-operators were not going to withhold the GST on behalf of drivers, thus creating an additional regulatory hurdle.
Nevertheless, the ATO’s current enforcement measures for cabbies are perceived as negotiated “cosy” compromises and a type of “doing-deals” (Sydney focus-group) between national tax-administrators and the taxi-industry’s powerful lobby. As the interview data will illustrate, many cabbies feel that their voices have never been heard nor seem to count when it comes to policy proposals and regulatory enforcement measures that affect their immediate livelihood—in cabbies’ vernacular: “The Taxi-Mafia rules and the ATO and ATIA are in bed together” (Melbourne focus-group).

The final section of the chapter will discuss some of the operational aspects of the ATO’s compliance measures that attempt to improve the voluntary compliance of players in the industry. In particular, it will address the regulatory problem that the ATO faces in dealing with the entrenched non-compliant morale of an industry that is cash-sensitive and does not lend itself easily to producing paper and electronic records (audit trails) for accurate cross-referencing purposes by the ATO.

1.11 The Cash-Economy—Target Groups
In spite of ambiguities that surround a precise estimate of the cash-economy at the macro economic level and expressed as a percentage of GDP, tax regulators had been able to isolate particular industries that are, albeit to varying degrees, cash-intensive and prone to tax-evasion. In 1994, the ATO’s Chief Commissioner (Michael Carmody) established national and regional projects in high-risk cash industries, such as building and construction, restaurants and cafes, fruit and vegetables, clothing, transport and taxis (ATO 1998: 2).

Research feedback to the ATO in the early-1990s indicated that there was an emerging perception of significant inequalities in the tax system, which according to community perceptions could be attributed to escalating tax evasion by participants in the cash-economy. In response, the Commissioner of Taxation established the first Cash Economy Task Force in November 1996. The Task Force (chaired by David Butler) was asked “to examine the cash economy, determine compliance issues and recommend additional steps that can be taken by the ATO to improve compliance” (1997: 9). Among the recommendations and suggestions by the Task Force was the advice that
The ATO should work closely with industry and community groups, and undertakes further research to better understand the structural issues and motivating factors that support the cash economy. Joint research should be undertaken with the Australian Bureau of Statistics into the extent and nature of undeclared income (1997: 6).

Following the ATO’s subsequent terms of reference, a second (and by now extended) Task Force developed a tax-enforcement approach resulting in a national “Compliance Model” (ATO 1998) and revised regulatory framework for ATO operatives to work with. Its focus was “on cash income derived from business and employment, whether legal or illegal in nature” (ATO 1998: Executive Summary).

Nevertheless, the ATO’s previously appointed audit teams—specifically targeting industries and small-business sectors that were shown to contain high-risk factors and extensive cash-economy activities—had successfully recovered additional revenue. The Australian taxi-industry was among the ATO’s selection of industries and subjected to the regulator’s ongoing scrutiny. National sample audits that were carried out in 1994 suggested that

- the estimated tax shortfall of a $1.5 billion taxi-industry is some $80 to $120 million in revenue leakage... 20% of drivers and 8% of owners do not lodge tax returns, and 25% of drivers who lodge returns do not disclose taxi-driving income (Boreham 1994: 33).

By the end of 1996, the intensified auditing activities of the Taxi Industry Project team (formed in July 1994) resulted in an increase of “taxable income returned by the industry” of some $488.1 million, which represented an increase of $61.4 million in net tax payable (ATO 1998:8). Moreover, it put Australia’s cab-drivers on notice that the ATO was serious about its intentions and was no longer prepared to condone the non-declaration of income derived from driving a cab by both full-time and part-time drivers. However, the regulators’ activities were interrupted by both the test-case and the government’s commitment to introduce a GST.

Cabbies, meanwhile, continued to provide their labour exclusively on the basis of a bailment or lease-agreement with the owner (or licence-operator) of a taxi-cab. More often than not, these quasi-contractual arrangements are informal in nature and
merely comprise a verbal agreement about the financial aspects—for example, commission-split, insurance details and fuel purchases—or specific maintenance requirements that are involved in driving a cab for a particular owner. Consequently, the contractual status of Australian taxi-drivers made it impossible to legally enforce cab-operators to withhold and return the proper amount of income tax (PAYG tax) on the earnings of their drivers to the ATO. In addition, every (non-employee) cab-driver became solely and personally responsible for remitting the collected GST to the ATO under the new tax-legislation and administrative rulings. More significantly, by making the regular reporting and remitting of the collected GST a legally enforceable requirement, the ATO was now also able to ascertain and calculate the amount of income tax (PAYG) that was payable by people who are involved in driving taxis. The main presuppositions here, of course, are that most people who drive a taxi have registered for an ABN, file Business Activity Statements accurately, and are actually capable of making payments to the ATO. The regulatory enforcement measures that have affected Australian taxi-workers most, however, are the introduction of the compulsory registration for an Australian Business Number (ABN) and prescribed periodical lodgements of a Business Activity Statement (BAS).

According to my focus-group informants, many among the estimated 75,000 active cabbies throughout Australia have responded in an almost predictable fashion, particularly in the period leading-up to the 1st of July 2000. A substantive number—allegedly as high as 35% of experienced drivers—left the taxi-industry for good, whereas others who had left initially, returned once they had “worked out how to avoid paying too much tax under the changed rules of the game” of the New Tax System (Brisbane focus-group). Others have persisted in ignoring the legal requirements completely and are likely to continue driving a cab without any ABN-registration, until they might get caught by one of the ATO’s enforcement “blitzes” (Melbourne focus-group). Alternatively, some are registered for an ABN at a different address; use a fake number (or use someone else’s ABN fraudulently); or simply do not return any Business Activity Statements, seemingly confident that they will manage to stay clear of the frequent enforcement activities by ATO field-officers. And of those who appear to, somehow, comply with the new regulatory measures, many continue to misrepresent the full extent of their “under-the-table activities” (Brisbane focus-group), either individually or in collusion with the operator of the taxi, thus still
making it impossible to assess their tax liabilities with any great accuracy (see chapter four).

1.12 Structural Impediments to Cabbies’ Voluntary Compliance
The complex enforcement tasks and administrative difficulties for the ATO are exacerbated by a number of structural and sociological imperatives that apply specifically to the Australian taxi-industry. The implied critique of this thesis is that the ATO’s ‘silo-approach’ towards enforcement is the main cause for the regulator’s failure to make any significant in-roads into the widespread tax non-compliance of cabbies. This lack of success is, as will be argued, the combined result of the regulator’s limited knowledge about networks of people who are the recipients of its regulatory measures and the industry’s dominant structural and cultural forces that promote non-compliance. Moreover, the “mixed-embedded” position of tax-regulators within the full range of political and economic interests among State/Territory governments and the federal government causes contradictory or ambiguous goals with regard to the enforcement practices of centralised tax-regulators. In particular, the ATO has thus far been unable to establish a closer alignment of State/Territory and federal legislation, rules and protocols that are necessary to execute more vigorously the new system’s tax-enforcement measures. In addition, centralised bureaucracies provide very little leeway in a discretionary application of specifically localised administrative responses, thus offering (pragmatic) regulatory compromises to stimulate better voluntary compliance among diversely located taxpayers (see Shover et al. 2001).

With regard to the ATO’s knowledge about the industry’s players, the following preliminary observations can be made. First, the total number of nationally active taxi-drivers cannot be ascertained with any great precision by accessing or cross-referencing the records of the various transport regulators throughout the Australian States/Territories that operate in legally separate jurisdictions. State and Territory transport authorities only maintain a formal register of people who have successfully applied for and maintain their driver’s certificate (an endorsement to a standard passenger vehicle licence), but do not exactly know how many people are actually driving a cab. For example, the records of the Victorian Taxi Directorate show that there are some 14,500 taxi-drivers registered in the State. However, it is estimated that only just over half (60%) are currently active drivers. Furthermore, the total
number of 14,500 drivers’ certificates that have been issued includes people who are licensed to drive passenger buses, hire vehicles and limousines (Rothengatter 1996). The situation in Queensland and New South Wales is similar. Consequently, the ATO has no accurate means for cross-referencing nor is able to verify the aggregate number of taxi-industry participants, thus unable to access their personal tax history.

Nevertheless, the ATO’s own research had shown that only approximately 35% of “lodging target-industries” in the 1995/1996 financial year also lodged in the next financial year. That is, “nearly two-thirds of businesses operating in the cash-economy either lodged in a different industry or stopped lodging altogether during the 1996/1997 fiscal year” (Wiegand & Rothengatter 2000). Finding taxpayers and small-businesses, or chasing transient workers that operate in the cash-economy requires a great deal of time, and often involves the harsh economic axiom of rapidly diminishing returns. Consequently, there are definitive limits to efficiency improvements in the collection of revenue from particular sectors like the taxi-industry, especially when the main enforcement mechanism for withholding tax, and legally prescribed requirements for keeping proper third-party information documents are virtually non-existent (see Wiegand & Rothengatter 1999).

The third and an additional category of complications that remains, of course, is that the accuracy of ATO’s tax rolls—and opportunities for maintaining its records on known taxi-drivers fully up to date—are (at best) questionable, as well as likely to represent only a fraction of currently active taxi-workers. Even though the ATO’s intensified field-enforcement initiatives and auditing of cabbies since the mid-1990s have produced increased prosecutions, the transient nature and fluid job-involvement of cabbies seem to have diminished the ATO’s chances to make any substantive inroads into the industry’s cash-economy. Moreover, it is not uncommon for owners or operators of cab-licences to not even know who is actually driving the cab during any given shifts. This lack of involvement with the day-by-day running of a cab appears to have been accentuated by the industry’s ethnic succession, which has changed the hitherto typical socio-demographics among taxi-drivers considerably. The evidence of the focus-group interviews indicates that the recent influx of refugees, overseas students and other legitimate immigrants is exacerbating the industry’s already dubious compliance morale by these “intruders” (Melbourne focus-group). Convoluted lease-arrangements, silent partnerships, complex financial (backing)
structures and a total lack of transparency with regard to a driver’s shift arrangements all mitigate effective enforcement of taxi-cab rules, safety measures, and transport regulations. Needless to say that the required tracking of taxi-drivers’ tax liabilities remains an administrative, regulatory and logistical nightmare.

One of the strategies available to the ATO for establishing whether a taxi-driver has been locked into the formal tax system is to confront cab-drivers physically at some of the popular spots where they tend to congregate, such as airports or busy inner-city taxi-ranks. However, this case-study’s anecdotal evidence suggests that information about the target-areas of surprise field enforcement activities is spread to whole fleets within a matter of minutes (not unlike the disclosure of the location of a speed-camera). In those few cases where joint law-enforcement initiatives between State Transport Authorities, the Sheriff’s Office, the Department of Immigration and the ATO have taken place, some vehicles had been abandoned by their occupants upon arrival of a “blitz-team” (Melbourne focus-group). A different strategy is for field officers of the ATO to travel in different taxis and ask drivers to produce an official tax-invoice (containing a driver’s ABN details). This will force cabbies to disclose their ABN registration details, and thus enable an on-the-spot check of a driver’s current affairs with regard to their tax compliance or otherwise.

Another, albeit less common, method is for ATO auditors to pay a surprise visit to taxi-depots, cooperatives or service-bureaux, and conduct a time-consuming, line-by-line-audit that can be cross-referenced with an electronic payment system and the financial transaction settlements\(^8\) between depots, cab-owners and their drivers. Alternatively, in States/Territories where subsidised taxi-transport schemes operate (for example, New South Wales, Victoria and South-Australia) the ATO may be able to gain relevant information about cabbies who are active drivers, but do not actually show-up as current BAS lodgers. These latter methods have been used extensively since the mid-1990s and have produced some successes for the ATO, as well as having led to the prosecution of operators defrauding (by over-charging or faking fares) the State governments’ subsidised taxi-transport programmes.

The national taxi-industry cannot be treated as a homogenous entity that lends itself easily to be regulated by the universal application of tax-enforcement measures that are developed within a centralised bureaucracy. Rather, the Australian taxi-industry
is to be seen as a heterogeneous complex of localised differences that may require tailor-made enforcement approaches and regulatory measures, which are sufficiently contextualised and sensitive to locally specific structural variations, customs and peculiar industry norms. The ways in which cabbies operate taxis throughout the States and Territories differ considerably, as do transport and safety laws that regulate the taxi-industry at regional levels. In addition, the framework of industrial relations that applies to the industry in New South Wales, for example, is structured quite differently than in Victoria or the Northern Territory. This has a significant impact upon the respective potential income and working conditions for individual drivers. The structurally different conditions of work and treatment by cab-operators, in turn, have significant behavioural, perceptual, and attitudinal consequences vis-à-vis the tax compliance behaviours of individuals, who operate within localised contexts and informal work groups. Moreover, national taxation policies, which are primarily designed, implemented and administered at the federal level, are based upon economic, political-structural and social contexts that do not necessarily correspond with the (semi) autonomous interests, values and policy preferences of Australia’s State and Territory governments.

1.13 From Deterrence towards Improving Voluntary Compliance

Following the introduction of the GST (and the compulsory ABN-registration for taxi-drivers) in July 2000, most cabbies that were already known to the tax-regulator seem to have responded slowly to comply with the new administrative procedures, albeit under duress. On the other hand, the ATO has depended heavily on the willingness of hitherto unknown cabbies (non-lodgers) to come clean and admit that they currently are driving a cab. Nevertheless, the current style of tax-enforcement is a far cry from the voluntary compliance sentiments that will be required to change the defiant cultural norms and values toward taxation that continue to thrive throughout the industry.

The precarious nature of the job itself does not produce the social factors of “job stability, commitment to educational, work and economic goals (i.e., aspiration)” that are able to modify the persistence of “deviant and troublesome behaviours” of cabbies (Sampson & Laub 1990: 616). Likewise, most operators and owners of taxis do not stimulate the type of bonds that are underpinned by care, responsibility and mutuality that create loyalty and long-term affiliations. Taxi-driving is characterised by
going from one job to the next; short and long fares; from high takings to wasting one’s time; from shift-to-shift for one owner to another operator the week after. The bottom line, nevertheless, always is turnover and profitability. Put differently, short-term-thinking is inherently contained in the job of driving a taxi, as well as imbued within the core-culture of the industry in every aspect.

The qualitative evidence that has been gained from my case-study indicates that many drivers who have chosen to stay in the taxi-industry fear that the new regulatory GST measures could mean that their “getting caught for tax-evasion by the ATO was just a matter of time” (Brisbane focus-group). However, fear alone is not a sufficient warranty to make claims that the majority of Australian cab-drivers are currently operating within the new tax-system and can be tracked down. Nor does it say a great deal about cabbies’ voluntary commitment toward their legal obligation of lodging Business Activity Statements on a regular basis, or the accuracy of figures that are contained in almost unverifiable personal declarations of income earned.

Furthermore, even though the ATO is now be able to ascertain that cab-drivers who actually lodge a BAS have certain tax-liabilities (both for Income Tax and GST) that does not necessarily mean that the financial liabilities will be paid on time or even be paid at all. To the contrary, as one of the participants in this study stated during Geelong’s focus-group session:

   By the time the GST and income tax are due to be paid to the ATO, many drivers will have spent that money on groceries or other things that they see as necessary for their family’s basic survival.

Some among the study’s participants in Brisbane admitted openly that they are quite prepared to be declared a “bankrupt” and “tease” the ATO to seize their household goods or other (unlikely) chattels in order to settle their tax-debt and pay for the possible fines when caught. Their general attitude was that the ATO cannot “get blood from a stone and if you go down, you’ll find yourself another owner and start afresh the following day until they’ll catch you again in another three years, or so” (Brisbane focus-group). The displayed contempt does not leave too much to the imagination as to where voluntary tax compliance sits within this cabbie’s order of priorities. Alternatively, a “tit-for-tat” enforcement style that is aimed at correcting
unabashed manifestations of “resistance and disengagement” is unlikely to intimidate too many cab-drivers (ATO 1998: 61-3).

In summary, and like the actual size of the nation’s cash-economy expressed in dollar figures, nobody knows precisely how many taxi-cabs or active cab-drivers do exist currently in Australia. Controlling the cash-economy within the Australian taxi-industry still seems to remain chiefly a battle involving ultra-mobile shadows that can only be turned into actually conforming taxpayers by physical confrontation or rather sophisticated intelligence procurements—a time-consuming, extremely expensive and grossly inefficient style of tax-enforcement. More significantly, seeking tax compliance by means of social control alone, such as attempts to deter cheating through the compliance model, is unlikely to generate any sustainable escalation in cabbies’ levels of voluntary tax compliance.

More significantly, none of the announced new measures do make any substantive in-roads into mitigating the high levels of autonomy and fierce resistance to authorities that the job of driving a taxi entails. Governments cannot expect to have it both ways—by not legislating for the establishment of a proper employer/employee relationship, bailee-drivers will retain both their personal incentives and practical opportunities to circumvent many of the regulatory measures that affect them adversely. Indeed, the existing bailme-nt relationship between taxi-owners and drivers lacks clear rules that are legally enforceable and thus has unintended consequences. As Katz observed more than 30 years ago:

[W]orker autonomy can be regarded as part of the barter arrangement between workers and the organisation, in which limited affiliation with the organisation is exchanged for a degree of autonomy…. Directly delegated autonomy refers to specific rules that delimit an area of independence…. Indirect delegation of autonomy results from the absence of rules; in a sphere where no clear rules exist, autonomy exists by default. Both direct and indirect delegation of autonomy promote spheres of activity that are not closely controlled by the organisation… the resulting autonomous behaviour must be considered as an aspect of an organisational structure, not merely as deviance from it (1971: 190-204).
As demonstrated in the extensive literature on social control, the essential weakness of “deterrence” is the detection of the alleged cash-transactions and evasive practices among cab-drivers in the first place. Conversely, and put into criminological terms, the basis of effective deterrence is “proximate control”—or “presence” as tax-administrators might prefer to call it (Gibbs 1989: 52-56). Yet, for the ATO to gain both sufficient and a permanent presence among actors who operate in the industry’s firmly established cash-economy has remained intrinsically arduous.

It cannot be assumed, therefore, that most Australian cab-owners and their drivers perceive with great certainty that their tax non-compliance will ever be detected. To the contrary, a combination of structural factors and the explicit norms or attitudes that are held by the industry’s players tend to suggest that their chances of getting caught are very remote or are perceived to have insignificant direct personal consequences. As the study’s data will show, for many taxi-drivers, aligning their actions with a rationality that underpins their tax compliance behaviour is, by and large, the product of the ways in which their industry’s productive forces are organised. More specifically, the data will illustrate the extent to which broader socio-economic regulations, pertaining to working conditions and remunerative awards, industrial relations and industry-specific regulatory tax measures, have a significant impact upon the compliance behaviours of individual workers.

The construction of fundamentally different compliance norms and attitudes throughout the taxi-industry promises to be a far more effective and cost-efficient regulatory approach to take. This is not suggesting that only an either/or scenario will improve the voluntary tax compliance among Australian taxi-workers. Both tax-enforcement and different socially constructed norms and attitudes are required. However, of the two essential ingredients the latter factors are more likely to pay off in the long run.

1.14 Conclusion
This first chapter has provided general background to the first Australian case-study on tax non-compliance of cab-drivers. It has described the history of taxation and discussed the social problem of tax non-compliance, whilst highlighting the inter-connectivity of current economic, political and social issues. This was followed by linking cabbies widespread non-compliance to the historical social settlement that
has existed between the providers of labour and capital in the Australian taxi-industry since the 1920s. The chapter illustrated the significance of the High Court’s 1998 adjudication on the formal status of cabbies as non-employees. The ramifications of the decision have forced the ATO to reconsider its options in its design of regulatory measures pertaining to the 2000 New Tax System, in particular for bailee-drivers.

The chapter has provided the foundations upon which the main postulate of the case-study is based. That is, the new federal enforcement measures for the cab-industry are not properly aligned with the different policy spheres and transport regulations of each State and Territory. Consequently, in chapter two it will be suggested that enforcement of tax regulations and compliance measures, in societies like Australia, will benefit from an approach that analyses tax evasion within the entire mix of socio-economic, historical, cultural and political contexts. This approach not only recognises the position of taxi-entrepreneurs and their workers within their own social networks, but also considers their more abstract mixed-embeddedness in the socio-economic and politico-institutional arrangements between the federal government and the States and Territories. Alternatively, a ‘one-size-fits-all’ approach to compliance enforcement measures does not consider the mixed-embedded position of taxi-drivers in an industry that cannot be treated as a homogenous entity and will not open itself easily to be regulated by universally applied tax-enforcement measures of a centralised bureaucracy.

The next chapter will, first, give an overview of the predominantly criminological literature that underpins the ATO’s current enforcement policies and reinforces the dominant regulatory debates. The discussion will illustrate how different fields have used quantitative research predominantly that directs the ATO’s current enforcement measures to combat non-compliance. Alternatively, chapter two will be the foundation upon which this case-study’s qualitative research has been built, by means of a critical discussion and covering the sociologically relevant characteristics of social networks. The chapter will, secondly, introduce and explore the notions of embeddedness and mixed-embeddedness, which locates the case-study firmly in the field of economic sociology. In turn, the subsequent discussion in chapter two will provide the epistemological grounds for an application of focus-group interviews with cabbies and various discussions with the tax-regulator as the study’s selected research methods.
Endnotes

1 The slogan is attributed to Justice Holmes and has been ‘written in stone’ above the main entry of the headquarters of the Internal Revenue Service (IRS), in Washington DC.

2 For a more detailed discussion on the difficulties involved in distinguishing tax compliance from non-compliance/evasion and calculating the magnitude of the black-economy, see Potas 1993; Mc Barnett 2001; Wenzel 2001a; Bajada 2001; Schneider, Braithwaite and Reinhart 2001; and Schneider 2002. Throughout this thesis, Wenzel’s (2001a) distinction between tax evasion (“the deliberate criminal non-fulfillment of one’s tax liabilities”) and tax non-compliance will be used. The latter is a broader term and includes: “unintended (although still unlawful) failure to meet [one’s] tax obligations, for instance, due to misinformation, misunderstanding or calculation errors” (p. 2).

3 Unless explained otherwise or discussed to the contrary in this thesis, the broad terms cabbie(s), cab-driver(s), taxi-driver(s) and/or taxi-worker(s) are synonymous and refer to people who neither own the taxi-cab licence (or plate) nor the taxi-cab (vehicle) itself. They supply solely the labour component of the service and are legally regarded as independent contractors who drive a taxi—on the basis of a bailment-agreement—for the actual owner of the taxi-cab and/or taxi-licence (the cab-operator). Independent contractors are usually—except for the vast majority of cab-drivers in New South Wales who bail a taxi on the basis of a set pay-in (known as Method Two)—compensated in the form of an agreed commission-split of total takings during a shift, between drivers and the owner/operator of the taxi. In contrast, people who drive a taxi—and own both the taxi-cab licence (plate) and taxi-cab (vehicle)—are typically known as owner-drivers or owner-operators. A third (hybrid) category of taxi-operators are those people who do not own the taxi-cab licence (that is, they lease the cab-licence/plate from a third party) but do own the taxi-cab (vehicle) and thus operate a taxi-business for their own account. The number of leases that they can operate as a lessee-operator may vary from one taxi-cab licence (single-plate operator) to several hundreds (multiple-plate operator). Control over the day-to-day shifts and operation of the leased licences is often structured in the form of a Taxi Management Company. Cab-drivers who supply their labour to this latter category of lease-operators also work under a bailment-agreement and are remunerated on the basis of an agreed commission-split (or a Method Two arrangement in New South Wales, Western Australia and Queensland). For a detailed summary of the different industry aspects in various States that formed the basis of the ATO/ATIA test-case, see the 1997 transcript of Justice Hill’s reasons for judgment (FCA840).

4 Throughout this thesis, the term “the state” refers to the respective constitutional, legal and political entities that comprise Australia’s Federation of States (New South Wales, Victoria, South Australia, Queensland, Western Australia and Tasmania). Australia’s two Territories, that is, the Australian Capital Territory (ACT) and the Northern Territory (NT) have limited autonomy and are subjected to specific controls and funding arrangements from the Commonwealth Government (Federal Government). Moreover, this thesis will adopt Bell & Head’s (1994: 4) more expansive term of “the state” which can be regarded as: “consisting of a complex set of interacting institutions [and distinguishing] between the executive, legislative and judicial branches of the state apparatus” (cf. Davis et al. 1993).

5 Globalisation, according to Capling et al. (1998), is defined as the emergence of a global economy, characterised by uncontrollable market forces and new economic (transnational) actors, unregulated by political institutions and rendering governments powerless (p. 5). Processes of globalisation integrate the world into one single system (Waters 1995). Harvey provides a more graphic description of these processes as “the annihilation of space through time” (1989: 241). However, and as many theorists have argued, globalisation is both a differentiating as well as a homogenising force. According to Hall (1996), the global shift also highlights the “cultural aspects of economic relations” which, in turn, warrants the significance of developing tax-enforcement procedures that are responsive to local needs, values, norms and traditions, and calls for Australian political debates that are underpinned by notions of equity and fairness.

6 The term cash-economy is but one and an almost synonymous expression for others that denote activities connected to (illegal) tax-evasion and avoidance. Often used are: underground; hidden; parallel; illicit; informal; irregular; black; shadow; second; and clandestine economy, including activities such as moonlighting and sources of income that are submerged or hidden (see Schneider 2002; Bajada 2001: 8-9).
Kloosterman & Rath (2001; cf. Kloosterman, van der Leun, and Rath 1999) have used the innovative concept of mixed-embeddedness in their attempt to provide a sociologically-oriented explanation of the dynamic processes and structural factors that stimulate growth in immigrant small-businesses opportunities and sustainability of ethnic owner-entrepreneurs. Based on the strength of incorporating both formal and informal activities, their approach can be applied fruitfully to research that explores the influences that, for example, industrial relations and specific forms of government transport regulations may have in relation to the tax non-compliance of taxi-drivers.

Most taxis in Australia’s larger cities and major urban centres are equipped with a mobile EFTPOS (Electronic Funds Transfer at Point Of Sale) terminal. This enables passengers to pay for their taxi-fare through a debit card that is connected to their bank account(s) or via one of the major credit card providers. Another popular means for electronic or credit payment is by passengers using the CabCharge service-cards or pre-printed CabCharge docket. Mainly used by large companies and organisations for corporate travel, the facility can be used in order to pay for taxi-services on the basis of monthly statements, which incurs a service fee of 10% for each taxi-fare. Depots, Taxi-Cooperatives and taxi-owners (who are part-shareholders of CabCharge and receive yearly dividends/bonuses) receive payment once the funds have been cleared.

Deterrence theory is the most commonly employed means of external social control. Successful deterrence hinges on perceptions of the certainty and severity of punishment. Of the two, certainty of punishment is far and away the more potent force in controlling behaviour (see Gibbs 1989). Many cab-drivers are surprisingly relaxed about the ATO’s chances of detecting non-compliance in the first place.
One of the popular myths regarding tax collection is that most citizens have an inherent tendency to cheat when it comes to paying tax (Wiegand & Rothengatter 1999). It stands on neoliberal-humanist and utilitarian ideas that view social actors as independent, rational, calculative individuals who flout national taxation laws in order to maximise personal benefits and accrue financial gains. These uncritical and over-generalised assumptions assign to tax collectors the unenviable task of having to police the public constantly. Just as cats never cease chasing mice, no government can lay down its guard and always expect to receive fully accurate and honest tax remittances from each private or corporate citizen. However, taxpayers suffer from the same mythology. Cast into a role of presumed cheats, some react accordingly—constantly avoiding and evading, while fearing any sign of the cat (Wiegand & Rothengatter 1999). In this scenario, tax collection becomes an assiduous and politically expedient enforcement campaign rather than citizens’ voluntary acceptance of regulatory compliance measures.

A “cat-and-mouse” approach to non-compliance is particularly ill-suited for collecting revenue from the cash-economy (Wiegand & Rothengatter 1999: 59). Being of “high volume, low dollar value” (ATO 1998: 15), cash transactions are inherently difficult to detect. Knowing that ‘off-the-books’ income leaves no paper trail for tax collectors to follow, owner-operators and drivers, who operate small and micro-businesses in the passenger transport sector, may feel less pressure to comply simply because of tax enforcement. Alternatively, regulation that is predominantly based on punitive enforcement measures tends to create new evasive strategies by defiant taxpayers. As noted by Leviner,

[!]n an area as complex and controversial as tax, legalistic and authoritarian attempts at shaping behaviour are expected to lead to a never-ending
process, as efforts to address one type of undesirable behaviour leave countless others unattended (2008: 365).

A suitable sociological perspective on tax collection debunks the cat-and-mouse analogy. It rejects the notion that taxpayer behaviour is determined by utilitarian or rationalistic impulses alone. There is no reflexive urge to evade any more than there may be an inherent urge to comply. Compliance behaviour involves far more complicated social processes. It is learned through social interactions within cultural settings. The *sine qua non* of a sociological perspective on tax-compliance is that meaningful human behaviour is socially constructed. By interacting with others, people learn the appropriate norms and values of the particular groups to which they belong. The necessary process of internalising an appropriate “tax morale” (Torgler & Schneider 2007: 444) occurs chiefly within organisational settings and culturally specific contexts that shape social interactions. Alternatively, a sociological approach to policy and regulations to minimise non-compliance should also recognise that

...policy-making processes are always collective and involve the objectives of many players, including government ministers, lobbyists and the media... and [considers] the active involvement of people expressing human characteristics like emotions, desires and determination in their relationships with others (Bessant 2008: 284).

The meaningful\(^1\) and careful decisions that taxpayers make regarding compliance are chiefly borne out of dealings with their family, friends and associates within their community. Paying one’s taxes is also symbolic—it is behaviour infused with political, social, moral and cultural meaning, as well as being based upon rational choices or calculative, economic considerations (see Wiegand & Rothengatter 2000). Thus, the proper units of analysis for a sociological study of non-compliant behaviours are social groups and business networks, while incorporating the organisational subcultures within which taxpayers operate and participate. With specific reference to the Australian taxi-industry and its workers, this case-study proposes that non-compliance processes are played out strongly within particular business configurations and trading-networks. Small-business trading networks\(^2\) in Australia’s taxi-industry are unique in at least one respect. That is, they tend to blend personal, moral, social, cultural and economic spheres of interaction.
A sociologically-inspired perspective on cabbies’ tax compliance stands on three major assumptions. The first sociological assumption is that taxpayer behaviour is learned socially, thereby rejecting any implicit notion of the born tax-cheat. The social process of learning proper compliance behaviour is termed taxpayer socialisation. Taxi-drivers operate within a unique work culture—a distinctive set of norms, rules, practices, values, attitudes and associated behaviours—into which individuals are initiated and socialised. It also involves a process of learning the meanings of one another’s behaviour. By attaching meaning to behaviour, taxpayers are actively constructing “motivational postures” (see Braithwaite & Braithwaite 2000; ATO 1998: 61) that can either stimulate or discourage proper compliance. Consequently, compliance behaviour is malleable and can be improved through a process of re-socialisation and taxpayer education by tax-regulators or professional accountants and other significant others.

Alternatively, non-compliance is not just an individual quality, but also involves forms of learned behaviour and an internalisation of particular attitudes that flout “the norms of behaviour governing citizens as taxpayers in relationship with the government” (Song & Yarbrough 1978: 443). This social process not only involves the learning of specific tricks and evasive techniques, such as how to skim profits or conceal ‘cash-in-hand’ payments, but requires an individual’s acceptance of negative “taxpayer ethics”. As a result, justifications for not complying with one’s civil obligation to pay tax and a failure to believe “in contributing to society by paying taxes” may become the common norm in various subcultures or networks (Torgler & Schneider 2007: 443).

The second sociological assumption is that taxpayer socialisation occurs mainly within one’s own social networks. The social relations that operate within these circles consist of highly structured patterns of interaction. Social networks can be thought of as webs of interpersonal relations within which persons interact. Social interactions between members within a network serve as the means through which cultural norms, personal beliefs, attitudes, perceptions and broader moral values are interpreted and communicated between individuals. Even though the composition of a social network may vary from one person to the next and can change throughout one’s life-course, culturally entrenched behaviours are, nevertheless, not random in structure. Indeed, social networks of interaction consist of historically patterned
behaviours and attitudes, which are relatively stable and enduring, and thus extremely difficult to change.

The third sociological assumption derives from earlier criminological studies of social control. By applying social control ideas to the problem of non-compliance in the black-economy, it can be presumed that means of external social control alone, such as attempting to deter cheating through regulatory enforcement measures, are unlikely to generate or sustain long-term voluntary compliance. The essential weakness of deterrence, of course, lies in detecting cash-transactions in the first place. One cannot assume, therefore, that small-business operators and drivers in the passenger transport sector perceive with any great certainty that hidden cash transactions and tax evasion will ever be detected. Put into technical tax-administrative terms, the basis of effective deterrence is “proximate control” (Gibbs 1989: 52-56)—permanent presence, as tax collectors might term it. Yet, that kind of presence is inherently problematic in the cash-economy. By extending this logic, it can be argued that internal social control, namely, constructing voluntary compliance norms, promises to be a more effective and efficient avenue to follow (cf. Roach-Anleu 2006: 91).

The ATO’s Cash Economy Task Force has recognised the fact of internal control in its current compliance model, by incorporating a range of different sanctions into its regulatory regime (1998: 61-63). In this case-study study it will be argued that both revised tax enforcement measures and different social norms are needed to improve levels of voluntary compliance in the taxi-industry. And of these two elements, the latter is more likely to pay-off in the long run. Consequently, “responsive regulation” (see Ayres & Braithwaite 1992; Braithwaite & Braithwaite 2000; Braithwaite 2002) will need to be based upon the tax regulator’s comprehensive understanding of attitudes, actions and motivations of the taxi-industry’s players, as well as different industry structures that are either conducive to, or mitigate, voluntary compliance. As such, a more effective form of the regulation of cabbies requires for the ATO to gain better knowledge about the full array of historically institutionalised forces, covert cultural dynamics and the variety of social relations that operate throughout Australia’s taxi-industry.
More significantly, the ATO will also need to reconsider the influences that different regulatory spheres (that is, other than tax enforcement outside its federal jurisdiction) have on cabbies’ non-compliance. As will be argued throughout this thesis, Kloosterman & Rath’s (2001) concept of “mixed-embeddedness” is able to incorporate the political-legal regulatory institutions that, in combination, affect non-compliance by Australian cab-drivers. The concept finds its origins and is firmly planted in the field of economic sociology. It contains the necessary elements for an analysis that considers the broader mix of structural forces that accommodate collective behaviours. Alternatively, the concept is cognisant of a Weberian-inspired, socio-economic approach that acknowledges how non-compliance is socially constructed to be meaningful; is learned behaviour; and is shaped by social interactions, while paying careful attention to the role of different regulators as agents of external social control.

The next section of this chapter will provide a discussion of the predominant quantitatively-oriented research that has underpinned the introduction of the ATO’s new regulatory enforcement strategy—the 1998 compliance model. The aim is to contrast the epistemological and methodological considerations that underpin the compliance model in comparison to the methodological vantage points that have been taken in this case-study. In order to introduce the pivotal concept of mixed-embeddedness, the discussion will next trace the history of economic sociology and subsequent adaptations of Polanyi’s original concept of embeddedness. The investigative trajectory that is presented in the thesis has been augmented by my email correspondence with Mark Granovetter, whose seminal 1985 article became the main subject of critique during a Polanyi Symposium in 2002. The discussion will also incorporate the extensive work of Emirbayer & Goodwin (1994) that has enabled linking an adapted notion of embeddedness to social network theory. The final section of this chapter will set up the grounds and justification of employing focus-group interviews as the key research method for the case-study, and thus illustrate how the concept of mixed-embeddedness can be applied fruitfully to non-compliance research.

2.1 The ATO’s Compliance Model: Dominant Research Agendas

The vast majority of tax-compliance publications and associated regulatory literature is not very sociological. Research on non-compliance has focused mainly on
individual taxpayers and the deterrent effects of regulatory measures that seek compliance from individual and corporate citizens by means of legal sanctions and financial penalties. It is predominantly quantitative in nature and can be tied to a positivist epistemological position. Even when compliance research is built upon socio-economic theories and analyses, the variables used are most likely to be derived from individual-level data. Econometric modelling of taxpayer lodgement, for example, bases its forecasts on data gathered essentially from individual taxpayers; then aggregated to population parameters.

The same tenets apply to tax-revenue projections and the ATO’s continuous risk-management efforts to determine which Australian industries are the most likely ones to implement cash practices designed to illegally avoid or minimise taxation payments (see Wiegand & Rothengatter 1999; cf. Roach-Anleu 2006: 93-96). Researchers seem to have avoided the application of sociological perspectives into studies of non-compliance. Much of the existent research is psychologically inspired and criminological compliance research focuses on self-interest and views taxpayers as rational, calculating actors who will not (fully) comply as long as individual outcomes and financial benefits of their non-compliance outweigh the overall costs of getting caught (see Allingham & Sandmo 1972; McGraw & Scholz 1991).

As a general rule, compliance research to date has been conducted mainly by either professional tax-administrators, or by social scientists working closely with tax-administrators, which tends to bring a legalistic and psycho-operational perspective to the study of taxpayers’ behaviours. Also, the data typically found in regulator-initiated compliance research usually comes directly from tax-return forms that individuals submit to the tax office or from related third-party information documents. Data may also be derived from matching a taxpayer’s identification number with other governmental data-sets; information obtained in the course of tax audits; or from observations during laboratory experiments in which subjects (usually university students) simulate the behaviour of individual taxpayers (see Wiegand and Rothengatter 1999).

Some behavioural scientists have concentrated on “financial stress and taxpayers’ dissatisfaction” linked with the fairness of the tax-system, that is, “exchange inequity”, as the main “situational conditions” that cause non-compliance (Bloomquist 2003: 2-
In line with individually-oriented regulatory approaches, other researchers have concentrated on factors such as: loss of social reputation and stigma (Grasmick & Bursik 1990); legal sanctions (Grasmick & Scott 1982); conscience appeals (Schwartz & Orleans 1967); or perceptions of fairness (Roberts & Hite 1994). Nevertheless, as both Taylor (2001: 1) and Wenzel (2001a: 4) note aptly, much of the compliance research to date has created great doubts about the effectiveness of increased individual surveillance and sanction-based regulatory measures (cf. Alm 1991; Blumenthal, Christian & Slemrod 1998; James & Nobes 2000; Tyler 1998: 5). Australian tax-administrators seem to have acknowledged slowly the deficiencies of deterrence-based compliance strategies and accepted the limitations of research findings that are chiefly based on respondents’ self-reporting; results from controlled experiments in social science laboratories; or rely on their own limited data-bases (see ATO 1998). However, very little sociological research has been conducted on the structural and cultural stimuli for tax non-compliance in particular occupations or in specifically cash-sensitive industries and sectors of the economy.

Since the early 1990s, the ATO’s focus of compliance research activities has favoured researchers working in the field of econometrics; criminology and social-psychology; business management; law; and neoliberal politics. During the late 1990s the powerhouse on social research with regard to tax compliance has been the Centre for Tax System Integrity (CTSI) at the Australian National University (ANU) in Canberra. The 1996 formation of the inaugural Cash Economy Task Force (ATO 1998) was followed by a more coordinated research approach for tackling Australia’s black economy. The CTSI, in association with Australian National University’s RegNet Institute, became one of the main research arms of the ATO. It is one of the forces in the production of social research publications with regard to contemporary tax compliance debates in Australia. Since 2000, it has published more than eighty papers and has accommodated visiting scholars from around the globe as research fellows (see http://ctsi.anu.edu.au/publications/WP/WPlist.html).

The Cash Economy Task Force’s third report—“The Cash Economy under the New Tax System” (ATO 2003)—contains a great deal of the research that has been published in the CTSI’s “working paper series”. The active involvement, leadership and scholarly research of Valerie and John Braithwaite (a social-psychologist and criminologist, respectively) as directors of the CTSI, have influenced and contributed
significantly to considerable changes in the ATO’s tax enforcement strategies over the last decade. Their respective work on the compliance of Australia’s Nursing Home Industry and government regulations (see Braithwaite et al. 1994), and Ayres & Braithwaite’s (1992) book on “responsive regulation” (promoting a hierarchy of regulatory strategies and sanctions to combat non-compliance) have been influential.

The initial work of Valerie Braithwaite (1994) has been extended into more extensive research on the connection between competing factors impacting upon taxpayers’ beliefs, values and attitudes, which determine their “posture or stance” with regard to the regulator, and their actual compliance behaviours. John Braithwaite’s contributions have set the scene for the ATO’s responses to non-compliance and an incorporation of regulatory terms that liken the ATO to “a benign big gun”; a “carrot-and-stick” approach to tax enforcement; and the “forgiving reintegration” of previous tax offenders (see ATO 1998: 63; 2003).

These key terms have been applied to the ATO’s compliance strategies and form the underpinnings of its 1998 Compliance Model. However, on an international level the ATO’s new approach to non-compliance has, most recently, been showcased by Sagit Leviner’s article that has been published in Regulation & Governance. The main emphasis in her article is to demonstrate how “responsive regulation and the postural doctrine” can be used to step outside enforcement approaches that view taxpayers as autonomous agents and their individual “needs, desires and constraints” (2008: 373). According to Leviner, overseas regulators are encouraged to follow suit and use a responsive regulatory enforcement model, which considers

…that environmental conditions, including norms, values, and social habits, as well as the nature of the taxpayer interaction with the tax authority, are influential. Particularly, by focusing on the role the taxpayer-tax authority plays in tax compliance, the tax administration is empowered to own-up to its administrative responsibilities and explore different ways to manage this relationship (2008: 373).

However, the majority of compliance research of the CTSI is based upon quantitative methods that investigate taxpayers’ attitudes, beliefs and perceptions concerning social norms; procedural and distributive justice (Wenzel 2001a); social identity formation (Taylor 2001); and involves issues concerning public trust and law-
abidingness (Levi 1998; Tyler 1997, 2001; Tyler & Degoey 1996). Consequently, these dominant approaches still centre on individuals, rather than recognising that the informal economy involves a complex, patterned set of social relationships and relevant activities. More significantly, according to Henry, any individually-based approaches will necessarily fail to acknowledge that activities in the cash-economy

…are shaped by and shape the wider political economy in which they are set…. The very structure of capitalism is such that it generates its own historically specific types of informal economies... and lie in structural conditions and processes that encourage such economies by creating structural inequalities based on class, ethnic, and cultural segregation (2001: 152-54).

Even though general concepts that are used in the sociology of deviance and occupational crime can be applied, little work has been done in the area of tax compliance that takes into account the links between patterned informal activities of individuals and the wider structural, political and economic contexts in which this particular form of deviance takes place. To my knowledge, there are no prior sociologically-oriented qualitative research data on the tax compliance of the Australian taxi-industry available.

Data-base and literature searches for qualitative social research on deviance within industrial settings and network environments have produced more success. The works of Vidich (1976), Ditton (1977), Henry & Mars (1978), Mars (1982), Burawoy (1982, 1985) Henry (1987), and Wiegand (1992) are among the list of authors. Wiegand’s (1992) publication: Off the Books: A Theory and Critique of the Underground Economy has strongly influenced my decision to investigate cabbies’ tax non-compliance at the meso-level. Wiegand’s critical sociological assertion is that a suitable theoretical framework for analysing tax non-compliance starts from a “recognition that the underground economy is an economic system... and calls forth the same level of analysis as any other system of production” (1992: 108).

Both Henry (1987) and Wiegand (1992) recognise that it is people who conduct transactions within markets, as much as only human beings produce and display particular behaviours in accordance with the norms and values typically found in their cultural and sub-cultural environments. Research that is based on pure economics
does not fully understand, nor can explain, irrational market behaviour itself. Most psychological and criminological research focuses on individual actors. In contrast, sociological research contains a strong critique of rational, utilitarian and economic explanations for the existence of the cash-economy. More significantly, economic sociology considers the significance of both economic and non-economic factors, and is able to incorporate formal and informal processes that are involved in social action. It therefore provides a suitable way to explore the missing components in the ATO’s individualised enforcement approach towards people’s non-compliance.

Economic sociology assumes that “social action is embedded in ongoing networks of social relations” (Krippner et al. 2004: 110) while placing the law (and by extension tax-regulators) at the centre “of transformations in economic ethics, behaviour and institutions” (Stryker 2003: 337). The latter is also able to investigate the roles that tax-regulators and other instrumentalities (for example, transport regulators) play in the process by which their historical autonomy has become blurred in trying to gain access—thus exercise power and exert influence—to the inner-workings of tightly structured social networks. In short, by applying the concept of embeddedness, social researchers are able to explore the entire complex of social forces that connects people to institutions through a web of social relationships that harden into long-term dependencies. These social forces both enable and restrain actions of individual actors in their networks. Alternatively, an economic ‘sociology-of-action’ assumes that self-conscious cabbies base their compliance decisions on socially constructed motives, intentions, beliefs and values, and utilise the fluid structural opportunities for tax non-compliance that their work environments provide.

### 2.2 Economic Sociology: Human Action as ‘Ongoing Social Relations’

Taxi-driving, like any other occupation, involves processes of economic exchange, social relations and purposive actions by social actors that take place within business entities and markets—in this case various Australian taxi-transport markets. Macrosociological theories that underpin markets and economic activities from social actors are chiefly concerned with the ways in which the economy and wider society interact. The main questions which economic sociology asks are:
how and to what extent economic forces determine the fate of society, and how far social forces outside the economy proper in turn influence the course of economic affairs (Holton 1992: 4-5).

In contrast, macro-economic theories are highly abstract, using mathematical models to simulate economic activities and calculate their anticipated outcomes. Such theories utilise predominantly asocial constructs and give primacy to the economic sphere as influencing all other spheres of social life. Alternatively, social theories of markets and economic activities by human beings analyse critically the interactive relationship between the economy and the political organisation, cultural values, norms and attitudes that operate throughout society. Moreover, in social theories concerning economic activities, markets are seen as social constructs themselves, that function as a system for the coordination of economic transactions, as well as provide the mechanisms that maintain particular social relations (see Fligstein 2001; Trigilia 2002).

An application of interactive social theories that are able to explain people’s economic activities, also involves the analysis of the historical, structural contexts in which social actors produce, reproduce, and change their social practices in essentially recursive processes. The recursive nature of all social actions is emphasised by Giddens in his formulation of the concept of “structuration”. This key concept is able to “substitute the central notion of the duality of structure... the essential recursiveness of social life, as constituted in social practices” (1979: 1-8). According to Giddens, social actors—unlike nonhuman beings—possess different levels of practical and discursive consciousness, which provides them with various degrees of in-depth knowledge about their social existence that, in turn, influences their individual actions.

The various attributes, propositions and processes that are contained in Giddens’ structuration thesis show close similarities with Michael Burawoy’s work Manufacturing Consent: Changes in the Labor Process under Monopoly Capitalism (1982). His main thesis is that the activities of workers cannot be properly understood without considering the political and ideological forces that organise productive processes. In short, the rationality behind certain activities cannot simply be presumed in abstract economic or managerial terms and theories. Rather, these
inherently social processes are also shaped by informal and entrenched cultural and historical factors that sabotage managerial prerogatives (1982: 4). It is an approach that acknowledges how particular collective actions take place within changing socio-economic and politico-legal relationships that operate throughout a society’s productive arrangements. Burawoy’s work illustrates how workers are able to resist collectively the exercise of managerial power from above, and gain financially by exploiting their informal social relations for personal advantage at the shop-floor level.

This case-study has taken a similar epistemological vantage point. Since the non-compliant activities from cabbies, and various social processes that sustain their tax-evasion, are embedded in the transactions and historically patterned social relations that exist within Australia’s taxi-industry, the pertinent social, cultural, political and organisational aspects of the social networks in which cabbies operate warrant closer examination. On the other hand, it also requires an exploration of the broader economic, legal, cultural, political contexts and localised social-institutional arrangements under which cab-drivers operate—an examination of different structures that exist within a heterogeneous Australian taxi-market. Even though the structural elements of a social network and the actual evasive practices of cab-drivers are not directly observable from focus-group data themselves, it can be argued that verbal accounts on non-compliance will reflect sub-cultural dynamics that operate within these tightly structured networks. As noted by Emirbayer & Goodwin, social networks are to be regarded as “cultural structures, which represent a level of organization that patterns action as surely as structures of a more visible, material kind” (1994: 1438-9).

Moreover, a sociological analysis of cabbies’ tax compliance behaviours cannot be restricted to merely describing the structural components and features of social networks at the macro-level. The approach should be supplemented by involving an analysis of actions by cabbies that are located methodologically at the

middle ground between larger cultural and political and economic phenomena at the macro-level of institutions and individuals at the other side (Granovetter 2004: 116).
A comprehensive understanding of the dynamics that take place within networked social settings thus involves providing, on the one hand, an appropriate model for explaining “the actual formation, reproduction and transformation of social networks themselves”. On the other hand, such explanations will need to elucidate how persistent cultural factors—that is, “ideals, narratives, norms, beliefs and values”—shape the actions of social actors (Emirbayer and Goodwin 1994: 1413).

2.3 Social Networks

This case-study’s proposed qualitative application of network analysis has the capacity of investigating the inter-relationships between social-structural, political and cultural phenomena that both restrict and enable meaningful action by social actors. It acknowledges that Australia’s cabbies are located in different legislative jurisdictions and physical environments, and are subjected to various work practices and social relations. Moreover, the proposed adaptation of social network analysis is not a “formal or unitary predictive social theory” per se but a broad strategy for investigating social structures and a “mode of structuralist inquiry” (Emirbayer & Goodwin 1994: 1414). Consequently, the study’s selected level of analysis allows for the blending of methodologically different strategies to explore typically non-compliant actions of people who are “embedded in ongoing networks of social relations” (see Krippner 2004; Granovetter 1985).

The case-study approaches the question of non-compliance by drawing upon a form of social network analysis, which is underpinned by Karl Polanyi’s (1944) seminal insight that economic actions and behaviours are embedded in social relations. Furthermore, it incorporates Polanyi’s poignant observation that the (institutionalised) political embeddedness of the state in almost every sphere of social life creates, paradoxically, its own inconsistencies and resistances—the “double movement” (Crompton 2002: 541).

It also brings sharply into focus how the industry’s deeply entrenched culture of non-compliance is reflective of prominently structured “normative commitments” (Emirbayer & Goodwin 1994: 1413) that shape the symbolic meaning of, and motivations for, these actors’ defiant compliance behaviours. However, normative commitments cannot be accurately measured, are intangible, and thus can only be discerned through discourses or conversations and a subsequent reconstruction of
verbal accounts that people provide. The methodological obstacle and bridging the "macro-micro gap" can be overcome, by adopting Randall Collins's assertion that,

…microsituational data have conceptual priority… amassing statistics and survey data does not convey an accurate picture of social reality unless they are interpreted in the context of their micro-situational grounding. Micro-situational encounters are the ‘ground-zero’ of all social action and all sociological evidence. Nothing has reality unless it is manifested in a situation somewhere (2000: 18).

The qualitative data from the focus-group interviews can be regarded as social constructs and self-reflexive experiences that can be expressed through language. As noted by Dingwall, interview data “cannot offer us literal descriptions of the respondents’ reality”. Nevertheless, they can be analysed “for what they say about the kind of accounts that are treated as legitimate in a particular setting” (1997: 2).

Before elaborating on the selected research method for the case-study, issues pertaining to the application of network analysis and Kloosterman & Rath’s (2001) concept of “mixed-embeddedness” need to be explored. Mark Granovetter’s influential article, published in the American Journal of Sociology in 1985, will be the starting point. The subsequent sections will address the main conceptual problems that surround the idea of “embeddedness” with regard to “ongoing networks of social relations” and discuss the risks that are involved in using a potentially under-conceptualised version of social network analysis (Krippner 2001: 791).

The next section will argue how a synthesis between social, structural and cultural analysis is able to bridge the macro-micro gap more successfully by incorporating Emirbayer & Goodwin’s theoretical observations and suggestions vis-à-vis social network analysis. That is, their “fundamentally sympathetic critique of the network perspective” (1994: 1413) opens an opportunity for applying Kloosterman & Rath’s (2001) original concept of “mixed-embeddedness” to a study of non-compliance among networked cabbies. A strong feature of the latter concept is that it allows for the analysis to be extended to the role of the ATO (as tax regulator and agent of social control), while elucidating its lack of regulatory clout among change-resisting cabbies.
More significantly, the concept can be used to point to a fundamental weakness in the ATO’s enforcement measures in order to mitigate non-compliance. That is, it does not consider the arduous relationship between tax-compliance enforcement regulation and the exogenous range and intricate web of State/Territory rules and measures that govern socio-economic processes within Australia’s taxi-industry. Hence, a national-core, single form of regulation, that can be applied more effectively to every taxi-driver, has not as yet been introduced. As a result, the historical political tensions and conflicting regulatory interests that exist between federal and State/Territory agencies continue to fuel structural opportunities for on-going tax evasion by defiant cabbies.

2.4 Karl Polanyi’s Heritage: From embeddedness to mixed-embeddedness

The rise of economic sociology (or socioeconomics) within the social sciences can be traced back to Karl Polanyi’s critique of dominant liberal economic and functionalist approaches that attempt to differentiate between the economy and society. The concept of embeddedness has its origin in Polanyi’s 1944 work *The Great Transformation*, where in Chapter IV he discusses an historical overview of the laws governing a market economy as a, supposedly, self-regulating system of markets. Polanyi—by building on Weber’s interpretation of meaningful social action—asserts that the economy generally is “submerged” (embedded) in social relations.

[M]an’s economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interests in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets…. [T]he economic system will be run on non economic motives [which are]…provided in the main by two principles of behaviour not primarily associated with economics: reciprocity and redistribution (1944: 46-47).

By linking economy and society, Polanyi rejects one-dimensional approaches typically found in most liberal economic theories. That is, markets that are involved in economic exchange are social constructs, or artefacts, that are necessarily embedded in social relations, which direct the conduct of social actors. Market-dynamics are socially organised, and inevitably involve the political activities of governments over time. Consequently, as noted by Fligstein, the creation of markets is subjected to both social relations and a wide range of social forces that must not be seen as “exogenous to market society, but endogenous to these social relations”
In contrast, classical liberalism holds that society comprises only individuals and that differentiated social groups are held together by a system of interdependent parts—free markets and individual rational choices determine the most efficient courses of action by rational, individual social actors.

Many structural-functionalist accounts of social systems (for example, Parsons & Smelser 1956) reduce and relegate social aspects of human activities to the intrinsically superior realm of economic explanation, thus proclaiming the economy as a *sui generis* that is defined by only one social function—the economic one. This brings into focus Parsons and Smelser’s theoretical proposition that there are four “analytical features of social systems”, which are to be seen as non-economic functions. According to Holton (1992), Parsons and Smelser’s analytic approach, by locating these “non-economic functions” in the form of abstractions, is designed to “reduce the complexities of social life”. By applying their purely analytical approach, concrete forms and objects are only examined for their economic aspects. However, “in reality, all social systems, including major institutions such as governments, corporations and cultural communities, are concerned with various combinations of both economic and non-economic functions” (1992: 21). In other words, the social world cannot be neatly demarcated into separate spheres that are taken outside the concrete existence of socially constructed objects in time and space (cf. Giddens 1979). This kind of “structural determinism” (Emirbayer & Goodwin 1992: 1427) leads to a reification of the social relations in question and “ruthlessly abstract the formal ‘objective’ dimensions of social relations from their cultural and inter-subjective contexts” (Krippner 2001: 799).

A significant task at hand in non-compliance research is not so much to describe how the differentiation of the market and its dominance over culture and political institutions has taken place over time. Rather, it is to explain how certain inherent contradictions, problems, crises and social conflicts, that are involved in these complex dialectical processes, take shape and affect—in this case—the actual compliance behaviours from real people. Such an explanation involves a critical questioning of the role(s) that ideological (including political and cultural) discourses play within social networks, which can either sustain or mitigate social solidarity. Conversely, it demands and warrants a fuller explanation for people’s overt manifestations of resistance to a social system that are contained in, and displayed
by, their day-to-day actions, which are a product of actors’ embeddedness in ongoing social relations. Finally, it requires a fuller explanation of the state’s regulatory framework, its differentiated enforcement practices and the operation of a much broader range of laws and regulations that affect taxi-workers. The latter point is often overlooked by tax regulators in their design of compliance measures and formal application of tax-regulations.

Solving the question of how behaviours of social actors are a product of their ongoing social relations has been a major subject of controversy and extensive scholarly debate among social theorists. Different epistemological positions do not only have theoretical implications, but also carry significant consequences for the ways in which particular research methods can be applied. Most recently, during a Polanyi Symposium in 2002, the theoretical and methodological challenges for economic sociologists were reiterated in fierce debates among scholars from different social sciences’ disciplines and with wide-ranging research interests, who have reinterpreted Polanyi’s extensive writings in the field of economic sociology (see Krippner 2002). At the heart of these scholarly debates lies Granovetter’s influential article “Economic Action and Social Structure: The Problem of Embeddedness.” The work of Granovetter has been associated closely with the recovery and subsequent reformulation of Polanyi’s work. The rediscovery of ideas with regard to the concept of embeddedness can be held to be responsible for the significant growth in socio-economic research approaches that involve social networks.

2.5 Network Analysis and Embedderness
According to Wellman (1983), network analysis “rejects explanations of social behaviour as the result of individuals’ common possessions of attributes and norms rather than as the result of their involvement in structured social relations” (cited in Emirbayer & Goodwin 1994: 1414). Furthermore, many network theorists utilise notions of civic trust (see Fukuyama 2000; Tyler 2001) and apply concepts such as social, cultural and human capital (see Coleman 1988; Putnam 1993, 1995, 1996) in their analyses of the roles that non-economic factors play in social and economic life. Research involving occupational crime and deviance (including criminology) also shows a strong history of applying the basic tenets of social network analysis within their respective explanatory models (Burawoy 1982, 1985; Canter & Allison 2000; Ditton 1977; Hagan 1993; Mars 1994; Samson & Laub 1993). The primary focus in
recent social-psychological approaches on crime, in particular, is on the social-cultural contexts and the social relations in which criminal actors are embedded (Canter & Allison 2000; Wright, Cullen & Williams 2002).

From a political science contribution, Streeck discusses the origins of “nonliberal capitalism”, and provides a useful analysis of how the allegedly free play of economic market forces in some societies are more “socially or institutionally embedded” than others,

… an economy is socially embedded insofar as the transactions by which it is made up either are also supposed to serve other than economic purposes (in other words, are constrained by noneconomic objectives, such as social cohesion or national defense) or are supported by noneconomic social ties (that is, are facilitated by particularistic relations such as tribalism or paternalism or by enforceable social obligations that engender trust among economic actors). Social constraints and opportunities in this sense, typically enforced by social institutions, define the legitimate place and the possible range of market transactions and markets in the economy-cum-society in which they take place (2001: 2).

Granovetter (1985) also discusses how actors’ embeddedness constrains their choices, alters their perceptions and makes available networks that circumscribe individuals through mutual obligation, regardless of their personal characteristics. Alternatively, social actors’ involvement in ongoing social relations produces both enabling and constraining dimensions. Consequently, social activities (including tax non-compliance) cannot be isolated from the social contexts in which individual actions and the production of meaning and social identity take place.

Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations (Granovetter 1985: 487).

Embeddedness, thus conceptualised, involves a connection between individuals and social institutions through a web of interconnected relationships that may settle into “different kinds of dependencies” (Wright et al. 2002: 2). Social action, in this view, is
not solely based on rational-instrumental reasons and motives, but also contains elements that are based upon acquired customs, habits, or norms, which depend chiefly upon non-economic factors and are fundamentally cultural products. These dependencies, in turn, can “direct behaviour in ways that fulfil reciprocal obligations to others within social networks, even when such obligations threaten” their personal interests—for example, the risk of prosecution for tax-avoidance and monetary fines, or losing one’s long-term career prospects (Wright et al. 2002: 4).

Alternatively, actors may call upon ‘deviant’ cultural products and invoke a sub-cultural social solidarity to defy attempts of interference by the state through its legitimised means of institutionalised social control. One of the major strengths for applying Granovetter’s reformulated idea (and revised embeddedness thesis 2004) lies in its ability to deal with both formal and informal activities in socio-economic life. Moreover, notions of reciprocal trust and actors’ access to networked social capital play an important role in social tightly structured networks. As Granovetter asserts with regard to fraudulent actions,

1. Trust engendered by personal relations presents, by its very existence, enhanced opportunity for malfeasance;
2. Force and fraud are most efficiently pursued by teams, and the structure of these teams requires a level of internal trust—“honour among thieves”—that usually follows pre-existing lines of relationship;
3. The extent of disorder resulting from force and fraud depends very much on how the network of social relations is structured (1985: 491-3).

The notion of reciprocal trust and its connection to the deviant actions by taxi-drivers with regard to tax compliance is paramount in providing a better understanding of the subjective cultural meanings and certain normative commitments (Emirbayer and Goodwin 1994) that operate within networks of cab-drivers. As Misztal suggests,

[Trust is the mutual confidence that no party to an exchange will exploit another’s vulnerability. To trust others is to accept the risk associated with the type and depth of the interdependence inherent in a given relationship. Social trust is seen as a lubricant for cooperation because it mutually reinforces expectations about reciprocity (2001: 372).]
The pre-existence of reciprocal arrangements pertaining to particular forms of mutually beneficial tax-evasion is an extremely difficult social relation for tax regulators to access and control effectively. As the data of this case-study will show, there is a considerable level of distrust towards tax regulators among owners and drivers, which make a blending of formal enforcement rules and discretionary, informal means for stimulating voluntary compliance (that is, a collaboration and cooperation between law enforcers and citizens) almost impossible.

2.6 Social Content and Normative Commitment

The major theoretical issue lies in Krippner’s accusation that Granovetter may have adopted embeddedness uncritically in an “intellectual environment that had been transformed by the rise to dominance of Parsonian sociology” (2001: 782). While suggesting how the gap between over and under-socialised conceptions of economic behaviour can be bridged by emphasising how social activities are “embedded in ongoing networks of social relations” (Krippner 2001), Granovetter has allegedly overlooked another similarity between neo-classical economics and Parsonian sociology. According to Krippner, in addition to the “atomized view” that structural-functionalism and neo-classical economics share,

[b]oth Parsonian sociology and neo-classical economics rest on a view of the social world as divided into sharply demarcated spheres… (2001: 788-790).

The impact on subsequent developments in network analysis has been that a number of theorists continue to take the market itself for granted and not regard it as a fundamental social construct in its own right. This is a view contrary to the way Polanyi conceptualised the market “as an inextricably social object” (Krippner 2001: 782). It leads to inadequate, asocial conceptualisations of markets in economic sociology, which are ultimately untenable and obstruct a fully comprehensive understanding of the richer and multitudinous aspects of contexts from which both economic and non-economic social action emerges. In particular, Krippner’s (2001) critique reiterates Polanyi’s original assertion that pure forms of free markets do not exist over an extended period of time, but are chiefly the product of processes of active interventions by political forces, embodied by formalising the operation of laws.
The result is that most “relational” and “positional” network strategies continue to view markets as a “bundle of inter-related ties in which exogenous social forces either strengthen or weaken relational links” in exchanges among social actors (Emirbayer & Goodwin 1994: 1422). However, both strategies in their application of network analysis fail to highlight the social content of the social ties that can be attributed to real social actors and contribute towards shaping their meaningful actions. These narrow strategies do not account adequately for the cultural and symbolical formations that play a significant role in co-determining actors’ identities which, in turn, influence their actions.

Variables like race, ethnicity, gender and class, cannot just be regarded as “merely correlates of network analysis” (Krippner 2004: 12). These variables carry significant implications in concrete situations such as, for example, ethnic trading networks, where high levels of reciprocal trust and principles of personal honour facilitate financial transactions (both formal and informal), or labour arrangements between intra-ethnic social actors. Similar sentiments may exist with regard to the civic duty of paying one’s rightful taxes in the adopted country of settlement. With regard to tax compliance attitudes that operate in multi-cultural societies, actors’ normative commitments can typically be different in comparison to the values and norms that prevail in mainstream non-ethnic cultures.

Alternatively, culturally specific normative commitments and values are influential qualitative properties (that is, they are part of the social content) of a network’s structure itself (Emirbayer & Goodwin 1994). Social scientists who focus on issues pertaining to governance may be prone to under-conceptualising markets by either building ideal types, or by ignoring the cash economy as the parallel institution in which certain illegal exchanges take place. This position is untenable, since it uses a conceptualisation of liberal economics, while treating the economic sphere and socio-legal sphere as separate realms. More significantly, this approach fails to recognise the full range of symbolic meanings that are contained in economic transactions, and are thus open to critique for not incorporating the illegal activities by non-ethnic actors.

Following Krippner’s (2001) extensive critique, Granovetter has since modified his original position and acknowledged that most historically significant and deeply
entrenched cultural phenomena, which operate within social networks, are concrete (observable) manifestations and emergent processes of socially interactive forces. These combined factors shape an individual’s actions, as well as the social institutions in which these actions take place. However, in these highly complex processes, social networks are always involved and can be regarded as,

…the sort of central, proximate causal through which all these connections [are] flowing back and forth…. Networks are only interesting because they are a mediating proximate cause…. They are where co-operation and trust and domination and compliance are actually produced, and those are crucial parts of every socio-economic system (Granovetter 2004: 116).

In reiterating the meaningfulness of the network analysis paradigm, Granovetter also draws upon a similarity between conceptualisations of social capital and embeddedness. Both are impossible to quantify or measure with any great precision but can be treated as “sensitising umbrella concepts”,

…under which one should look into and think about what are the connections between economic activity and the social, the political, the institutional, the historical, the cultural elements that economic activity is mixed-up with (2004: 133).

Economic sociology—in its attempts to provide adequate models that explain the multiple dimensions and a fluid mix of economic and non-economic factors that underpin social actions—must pay closer attention to “the content of ties, rather than merely the structures formed by those ties” (Powell & Smith-Doerr 1994: 371). According to Emirbayer and Goodwin (1994) a significant component of the “content of ties” comprises cultural structures, such as “idioms, discourse and narratives”. These structured and deeply entrenched cultural features, in turn, influence and shape significantly the actions of networked social actors. Acknowledging the causal proximity of these latter social forces provides a sound basis for explaining the relationship between culture and action.

A major issue that remains to be solved is how to explore these structures, and how to translate different norms and values that are embedded within social networks into concepts that can be operationalised and observed in concrete empirical settings.
Alternatively, how the identified mixing of social forces can be attributed causal proximity for specific social behaviours also needs to be explained. The facilitation of the production and reproduction of culturally embedded phenomena and the contribution of actors’ individual and collective (social) identity formation in social processes also warrant explanation. In short, social network analysts have to demonstrate adequately how both normatively constraining and enabling discursive forces actually operate within patterned relationships among social actors within a social system.

These questions are some of the pertinent issues that Emirbayer and Goodwin address in their critique of analyses that do not incorporate adequately the insights of theories that explain the link between empirical action and the fundamentally socially constructed identity of individuals operating in networks. Their substantive argument is that current versions of network analysis err seriously for ignoring,

…in particular, the notion that agency and structure interpenetrate with one another in all individual units (as well as complexes) of empirical action, and that all historical processes are structured at least in part by cultural and political discourses, as well as by networks of social interaction (1994: 1443-4).

A more comprehensive and fully adequate explanatory model can be achieved only by engaging social, structural, and cultural perspectives into an historical analysis of social action. This requires attributing analytical autonomy to cultural structures and “symbolic formations such as discursive frameworks and cultural idioms” (1994: 1439).

2.7 Bridging the Methodological ‘Gap’

Emirbayer and Goodwin sketch the status of social network analysis within the field of the social sciences and praise some of the developments within a mode of inquiry and methodological strategy that aims at bridging the macro-micro gap. Their main critique is that “network analysis, itself a constellation of diverse methodological strategies, has rarely been systematically grounded in the conceptual frameworks they elaborated” (1994: 1412). As a result, an adequate analysis and the linking of
the possible relationships between culture, agency and social structure have remained under-conceptualised.

Emirbayer and Goodwin recognise that most network analysts apply “one of two conceptual strategies to account for various types of social behaviour”. By using a “relational” or “social cohesion” approach, analysts focus on both strong and weak ties that bring social actors together and result in the formation of social networks that develop uniform “subcultures” and strong “collective identities” (1994: 1419)—not unlike the notion of organic solidarity as described by Durkheim.

In contrast, a “positional” conceptual strategy focuses on ties between actors and third parties, rather than the personal ties among one another. Analysts who utilise the positional strategy generate models,

…in which an actor is one of many in a system of interconnected actors such that all defined relations in which he is involved must be considered…[Structural equivalence models] pay no heed to whether actors in a given position have any direct ties to one another (Emirbayer and Goodwin 1994: 1422).

Taxi-drivers fall chiefly inside a “structural equivalence” model. The associated strategy in relation to its empirical analysis is able to elucidate how industry-specific structural changes over time create a context in which collective resistance is a response to structural changes that are perceived to threaten the livelihood of cab-drivers. However, a relational strategy of analysis can also be applied to cab-drivers—especially for those who work for an owner-driver or taxi-operator and are able to maintain personal ties that can be utilised for collusive purposes. In applying this latter strategy, the more or less weak (and an often informal) relationship between a taxi-owner and drivers itself becomes a significant factor promoting deeply structured opportunities for mutually beneficial tax-evasive actions.

Emirbayer and Goodwin acknowledge and assess three implied cores in the models that are used to explain the “complex interrelationships among networks, culture, agency and social structure”. These three implied models—identified from the hitherto existing network literature—are categorised into “structuralist determinism,
structuralist instrumentalism and structuralist constructionism” (1994: 1425). The conceptual problems of each of the three models vary in their level of seriousness. According to the authors, the most prominent shortcomings are that the first model “neglects altogether the potential causal role of actors' beliefs, values, and normative commitments—or, more generally, of the significance of cultural and political discourses in history” (1994: 1427). In essence, it is unable to explain adequately how “historical configurations of actions" transform those “pre-given" social structures, over time. The second model, even though it accepts the prominent role of actors in history, conceptualises their “activity in narrowly utility maximising and instrumental forms”. It is overly deterministic by presuming tacitly that social actors are predominantly,

...utility maximisers who pursue their material interests in money, status, and power in precisely the same ways predicted by theorists of rational choice... [thus] neglecting how... [actors' own] cultural and moral categories structure their beliefs and behaviours (1994: 1428).

The third model—“structuralist constructionism”—is regarded as the most sophisticated explanation for “historical processes of identity conversion” and in its conceptualisation of human agency, by recognising the “potentially transformative impact of cultural idioms and normative commitments on social action” (1994: 1425). In relation to an analysis of the historical non-compliance among taxi-drivers, the last model is able to integrate social structure, culture, and agency, as well as elucidate how “attitudinal affinities" can be powerful motivational drivers in the formation of a collective cabbie-identity that reproduces deeply entrenched (negative) normative commitments7. Particularly during times of major tax-reform, actors inside the taxi-industry are able to produce flexible opportunism and utilise new ways to frustrate the regulator's new compliance measures. Hurried decisions for tax-reform are motivated by electoral gains for incumbent political players, but more often than not lack the coherence and integrative approaches that are required to neutralise collective resistance both from within regulatory ranks and by taxpayers. As chapter four demonstrates, cabbies will exploit the inevitable loopholes and unintended consequences of mal-integrated enforcement measures.
However, Emirbayer & Goodwin provide a valuable epistemological key and methodological toolkit for unlocking this complex analytical issue with their assertion that social networks are, indeed, “phenomenological realities” or “networks of meaning”. The authors assert, while citing Alexander & Smith (1993), that culture and social relations within networks mutually affect one another. Hence, “cultural discourses, narratives and idioms that exist within networks are analytically autonomous with respect to network patterns of social relationships”. Indeed, the interrelationship between social and cultural structures produces symbols, that is, a nonmaterial structure, which is representative of a level of organisation that “patterns action as surely as structures of a more visible, material kind” (1994: 1438-9).

The theoretical considerations thus far discussed have great significance for studying the non-compliance of cab-drivers. However, of greater significance are the practical implications for tax regulators who have introduced a New Tax System (ATO 2003) and compliance measures, without due consideration to historically and deeply embedded cultural idioms (narratives and discourses) that do not consider the tax-regulator as a legitimate player within networks of cab-drivers. By extending the analysis to socio-economic reforms (involving neoliberal economic, cultural, and political discourses that enable, as well as may obstruct changes) one is able to demonstrate the recursive dynamics between structural phenomena and counter-reflexive actions that carry substantive meanings to players in the Australian taxi-industry.

Alternatively, by treating “cultural narratives, idioms and discourses as symbolic patterns possessing their autonomous inner logic” (Emirbayer & Goodwin 1994: 1440) one is also able to elucidate how certain cultural formations can both constrain and enable particular social actions. These dynamic social processes manifest themselves in the ways by which cabbies express normative evaluations that guide non-compliance and are verbally expressed in their public accounts. In relation to Australian taxi-drivers, the formal discourses associated with redefining taxpayers’ identity as responsible citizens and honest taxpayers, may directly clash with the image that taxi-operators promulgate in their attempts to entice new workers into the industry. Non-compliance throughout the taxi-industry provides a protective screen for drivers in their attempts to cope with an increasingly complex social environment. Alternatively, for new tax compliance measures to gain legitimacy and make more
sense to cabbies, tax regulators will have to change the cultural and symbolic meanings that cab-drivers call upon when making group-oriented compliance decisions.

According to Hollingworth, actors create and maintain motivational postures that “are dictated by the cultural norms and rules in which they are embedded” (2003: 130). In following this view, the taxi-industry may be perceived as an institution that is deploying its own norms, rules, conventions, habits and values that provide “cognitive frameworks for coping with complex environments and for reducing uncertainty” (2003: 132). Alternatively, tax-administrators require an awareness of the multiple levels of reality that influence individual compliance decisions. Moreover, regulators may need to invoke legislative powers to circumvent historically embedded, structural and cultural obstacles, and thus reorganise social relations within the taxi-industry—an extremely difficult task! Whilst it is relatively simple to use a parliamentary majority to pass new statutes and introduce complex administrative procedures, the stability and permanence of institutional norms and values are far more resistant to regulatory challenges. In short, resistance to change enforcement practices works both ways, that is, it involves not only cabbies but also the ATO’s regulatory culture (see Shover et al. 2001).

Major tax reforms require long-term implementation strategies, well-planned and flexible procedures, sufficient financial resourcing, and a considerable overhaul of inefficient work practices, in order to realise significant productivity gains. Managerial imperatives and economic rationalist discourses vis-à-vis the operational discretion of operatives in the political sphere often increase levels of fear, stress, job uncertainty and anxiety about changes to work practices among ATO staff, which may compromise their localised implementation of responsive compliance enforcement (Shover et al. 2001: 15-28).

Some of the recent research into people’s tax compliance behaviours confirms how publicly perceived governmental mismanagement in seemingly unrelated policy-making spheres can have rather dramatic consequences for bolstering attitudes that undermine taxpayers’ willingness to comply with the nation’s tax laws (see Bloomquist 2003; Feld & Frey 2001). The key issue here, of course, is that federal tax regulators are operating in a mixed-embedded policy environment. In short, they
are not in a position to control every citizen’s perceived inequities among the full array of government regulations that affect each differentially, or which may have disproportional negative consequences on a personal level. Cabbies’ perceived views about the differentiating effects and the actual operations of “distributive and procedural fairness”, are powerful factors in their personal evaluation of principles of “macro and micro-justice” that, in turn, shape their individual, context-driven tax compliance decisions significantly (see Wenzel 2001a).

2.8 Mixed-Embeddedness and mal-integration
Since Australia’s existence as a single sovereign state following Federation, the rights and responsibilities for raising income tax, indirect consumption taxes (GST) and excise taxes have been exclusively vested with the Federal (Commonwealth) Government since 1942 (van den Driesen & Fayle 1987: 27-8). However, the States and Territories are reliant upon the Commonwealth Government to fund their expenditure for the provision of public goods and services to Australia’s citizens. These divided rights and responsibilities may contribute to creating additional complexities in national governance and have the potential to result in policy decisions and regulatory measures that are not always very well harmonised or could even be severely mal-integrated. The latter notion appears to have relevance for the ways by which different jurisdictions, regulatory rules and a multitude of legislation intervene and attempt to regulate the economic activities of a locally diversified and heterogeneous taxi-industry. The national tax regulators’ narrow and bureaucratically inflexible focus on their rationalised enforcement of laws and procedures tends to produce a form of blindness for the full array of both economically and socially significant factors that influence a taxpayer’s stance on justice and fairness of the tax system.

As Wiegand notes in his discussion on the rejection of the asocial concept of the underground economy by tax regulators (and merely focusing on individual behaviours), this ambiguous discursive construct shifts regulatory attention solely to a legal framework of legislation and formal enforcement rules, without considering “the myriad of other regulatory codes and laws that pertain to economic activity” (1992: 99-100). Similarly, the notion of “mixed-embeddedness” (Kloosterman, Van der Leun & Rath 1999; Kloosterman & Rath 2001) in the literature on immigrant entrepreneurs shows how a complex mix of rules and regulations can be used to add
insight, and provide better explanations for the relatively high participation of migrants in the informal economy. Consequently, the methodological approach of this thesis will look at the full spectrum of dynamic, socio-economic and political changes that influence the opportunities for taxi-industry participants to evade taxes. As such, it does not view tax regulation within a too narrow a frame of Australia’s tax laws *per se*.

The concept of embeddedness has been used by a range of social scientists and can be applied in a variety of ways to capture the fundamentally socially constructed nature of formal and informal economic activities from social actors. Even though the notion of embeddedness has been applied in some studies of crime and deviance, it appears to have never been used before to explain the entrenched tax non-compliance of cab-drivers. John Hagan (1993) applies Granovetter’s insights, by using the term “criminal embeddedness”, arguing that youths involved in criminality are unable to attain adequate social and human capital that is required in order to obtain quality adult employment. Samson & Laub (1993)—also criminologists—take a similar position by arguing that the social institution of employment, which is coupled to stable employer/employee relationships, restricts crime. Formal employment may generate adequate social control over the activities of individual employees. However, particular work settings promote informal activities. This applies, for example, in industries where workers enjoy limited financial rewards and are involved in environments in which human and social capital are perceived to have little or no value (cf. Burawoy 1982). These industries are characterised by the employment of a predominantly precarious workforce, or forms of (non-professional) self-employment in personal service-sectors that have low-entry barriers and require minimal educational qualifications.

Some socio-economic and chiefly anthropologically inspired approaches in the field of Immigrant Entrepreneurs/Ethnic Business Research have also adopted the concept of embeddedness (for example, Portes & Sensenbrenner 1993; Portes 1995; Roberts 1994; Zhou 1992). However, the use of the concept tends to be “one-sided” and refers almost exclusively to the “social characteristics of groups that are conceived a priori to consist almost solely of co-ethnics” (Kloosterman *et al.* 1999: 7-9). Taking a one-sided position, however, “neglects the wider economic and institutional context in which immigrants are inevitably also inserted or embedded.
Consequently, in their integrative “mixed-embedded” approach with regard to the activities of ethnic entrepreneurs Kloosterman & Rath attempt to demonstrate how,

…the socio-economic position of immigrant entrepreneurs… can only properly be understood by taking into account not only their embeddedness in social networks of immigrants but also their embeddedness in the socio-economic and politico-institutional environment of the country of settlement… [thus proposing] the use of a concept, mixed-embeddedness, which encompasses both sides of embeddedness (2001: 2).

Kloosterman & Rath’s (2001) reinterpretation of Polanyi’s original idea (and adaptation by Granovetter) can be applied fruitfully to the taxi-industry, based on the strengths of incorporating the political-legal and institutionalised regulatory frameworks that affect Australia’s cab-industry. This new concept acknowledges the significance of cab-drivers’ concrete embeddedness in specific social networks, whilst conceiving that their social relations and transactions are, at the same time, embedded in Australia’s wider economic and regulatory structures in a more abstract way.

However, there is another sense in which the notion of mixed-embeddedness can gain significance in the analysis of the non-compliant behaviours of cab-drivers. First, it recognises that these illegal actions are shaped by a broad range of social forces, due to their location within overlapping and intersecting networks of social ties. Consequently, exercising individual autonomy is “made possible by actors’ location among a multiplicity of cultural structures, such as idioms, discourses, and narratives” (Emirbayer & Goodwin 1994: 1445).

Secondly, it acknowledges the fact that tax regulators themselves are located within a much broader structure (networks) of control agencies that regulate the socio-economic activities of social actors. Even though political discourses, which promote the principles of “efficiency, perpetuation and accountability” (Liska 1987: 153) in public administration appear to dominate the overall bureaucratic environment currently, the actual interpretation of these broad principles is fragmented among various state agencies (cf. Shover et al. 2001). Moreover, each agency’s operations is influenced by its own fundamentally, socially-constructed culture, practices and
agency-specific socialisation processes, that affect individual operators in their daily activities.

Thirdly, different agencies of social control classify a citizen’s identity (that is, individual as well as collective) using the different categories of individual characteristics to their own avail (see Liska 1987). Hence, an atomistic approach vis-à-vis a specific form of social control does not acknowledge adequately how citizens’ social roles, social location, rights and civic obligations diverge, are contextually determined and often involve contradictory actions.

Using the (sensitising) concept of mixed-embeddedness for locating Australia’s tax regulators within the nation’s overall regulatory framework and various functions of the state brings into focus the inevitable tensions, contradictions, and the general mal-integration of tax compliance measures for cab-drivers. Within taxi markets, the role of Australia’s States/Territories extends to areas such as the regulation of licences, taxi-depots, taxi-operators and drivers, as well as consumer protection against unfair pricing practices and maintaining public safety. The main explanation for this perceived mal-integration, as will be argued persistently throughout the thesis, can be found in the mixing-up of various regulatory spheres that affect cabbies. This, in turn, is linked to a functional division or fragmentation of power among the regulatory jurisdictions that operate within Australia’s two-tiered structure of government—State and federal spheres overlap and have contradictory objectives.

The operation of political power becomes an eminent feature within this particular paradigm of social analysis, as does an analysis of the role of the modern state in maintaining social order through the institutionalisation and legitimised operations of the full spectrum of state regulations and the law. As Stryker insists, the inter-connectivity between politics, dominant economic interests and the operation of the law cannot easily be ignored:

[Because] legal rules/schema and legality are socially constructed and mobilised as resources through interpretive and political processes… law likewise affects the economy through a multi-dimensional set of social mechanisms, rather than by reshaping cost-benefit calculations only.
Similarly, law helps constitute not just economic interests, strategies and power, but also everyday economic meanings, identities, roles, relationships and structures, and norms, values, ideas and ideals, including the concept of economic rationality itself (2003: 335).

Consequently, taxi markets are never “neutral” structures that facilitate a wide variety of economic transactions between social actors, but are also “always… politically embedded. They require a set of [semi-autonomous] legal rules, a set of institutions, and so on” (Block 2004: 18). More significantly, the different styles in governing and the public’s regard for the state are driven by fundamentally different ideologies that cover the full array of public policies and influence significantly citizens’ perceptions about procedural and distributive justice on-the-ground. In combination with the nation’s dominant views on Industrial Relations, Australia’s taxation system is typically one of those other prominent areas where ideological differences and divisions in citizens’ support for specific political parties comes to the fore most strongly.

By engaging a synthesised account of a social network’s discursive, cultural, and structural factors on the one hand, and the actual social processes that shape the actions of social actors and their networks on the other, meanings and motives other than rational-calculative ones can be brought to bear. As Holton argues, social analysts must consider that a myriad of meaningful, non-economic factors may influence seemingly irrational actions. Consequently,

Unless this stage of analysis is included, the ‘logic of the rational choice’ approach is methodologically flawed because it fails to provide an account that engages with the meaning of action for the participants concerned (1992: 44).

The task of the social network analysts, then, is how to overcome some major analytical problems that arise by denying the “crucial notion that social structure, culture, and human agency presuppose one another” (Emirbayer and Goodwin 1994). If this crucial dimension of human action cannot be explained adequately, network analysts merely provide a thin description of a partial social reality, while ignoring the much thicker dynamic processes that shape actors’ conscious perceptions of their existential (material) reality and social identity. Hence, the case-
study provides a “thick description” (see Geertz 1973) of some carefully selected, localized contexts in which cab-drivers work, without which the more general cultural meanings and power relationships between drivers, their operators and the state, cannot be fully understood. In summary, deeply entrenched cultural norms, values and practices within sub-cultures, that shape, guide and influence the meaningful actions from social actors who operate in social networks, require closer analytical scrutiny.

2.9 Conclusion

In this second chapter it has been argued that a more comprehensive understanding (Weber’s notion of erklarendes Verstehen) of tax non-compliance by cab-drivers can be achieved by using the concepts of embeddedness and mixed embeddedness. Cabbies’ symbolically and socially constructed behaviours take place within specific cultural settings in which meanings and identities are created and transformed over time. These fundamentally self-reflexive actions are based upon historically structural and culturally determined aspects and interactions that interpenetrate the networks of social relations among Australian cabbies.

Granovetter’s suggestion to apply his conceptualisations of social capital and embeddedness as essentially “sensitising umbrella concepts” (2004: 133) is a fruitful path to follow with regard to social networks of cab-drivers. Moreover, the concepts are able to demonstrate how tax non-compliance among cab-drivers involves contested moral dialogues, which is the product of complex, contextualised social processes that extend beyond an analysis of intrinsically imprecise individual rates of non-compliance.

This chapter has also discussed how the concept of mixed-embeddedness and research on ethnic (small-business) entrepreneurs can suitably be adapted for an in-depth sociological analysis of compliance behaviours among cab-drivers. The major strength for adopting Kloosterman & Rath’s (2001) ideas is not only that these incorporate both formal and informal activities from cab-drivers, but extend the analysis into providing a possible explanation for the mal-integration of the ATO’s enforcement initiatives and state-based regulation of the industry. The methodological significance can be described as a personal rediscovery while teasing out the literature that involved Granovetter’s use of the concept—including
the Polanyi Symposium papers. However, since my case-study started out as a *semi*-grounded exploration, it was not until the data of chapters four and five had been analysed that the full dimensions of Kloosterman & Rath’s concepts were recognised and have become much clearer.

The next chapter will explore how the above methodological considerations emerged and have been transformed into the case-study’s selected research method. Chapter three will discuss how the research was designed to incorporate focus-group interviews and face-to-face discussions with ATO officers to capture the complex of dynamic forces that operate within networks of cabbies. The verbal accounts that have been generated during focus-group interviews will contain cabbies’ “vocabularies of motive” (Mills 1963), “aligning actions” (Stokes & Hewitt 1976) and different levels of “discursive consciousness” (Giddens 1979) and will be analysed in detail in chapters four and five.

More significantly, the research design was aimed at capturing the conflicting interests and tensions between owner-operators of taxis and bailee-drivers, which are caused by the peculiar contractual arrangements that organise their employment relationship. The significance of the Method Two arrangement, in particular, will again be highlighted. The appendices to chapter three will contain a brief history of taxis in Australia and provide a more detailed description of the five different research sites where the interviews have taken place. The chapter will also summarise how the selection of participants, data collection and analyses of the transcripts have been carried out.
Endnotes:

1 Max Weber has provided the classic sociological definition of meaningful behaviour: “We shall speak of ‘action’ [behaviour] insofar as the acting individual attaches a subjective meaning to his behaviour—be it overt or covert, omission or acquiescence. Action is ‘social’ insofar as its subjective meaning takes account of the behaviour of others and is thereby oriented in its course” (1978: 4).

2 Usage of the term ‘trading network’ refers to the totality of socio-economic relations involved in the running of a (small) taxi-business. Included are relations between producers of relevant taxi products and services (for example, fuel suppliers, tyre-merchants, body repairers and motor mechanics), taxi-depots, accountants, financiers, contracted drivers, as well as customers. To avoid confusion, I have followed the Australian Bureau of Statistics’ (ABS) definitions, and use the term small-business (excluding agriculture) to refer to “non-manufacturing industries employing less than 20 employees; and manufacturing industries employing less than 100 employees” (1998a: 1). The term micro-business refers to businesses that are non-employing - sometimes also termed own account workers - and businesses having fewer than five employees (ABS 1998a: 4, 77).

3 Deterrence theory is the most commonly employed means of external social control. Successful deterrence hinges on perceptions of the certainty and severity of punishment. Of the two, certainty of punishment is far and away the more potent force in controlling behaviour (see Gibbs 1989).

4 Qualitative evidence that has been collected on behalf of the ATO suggests as much, as seen in the following findings:

   In general, people do not approve of the Tax Office using an approach which suggests that they assume people are guilty until proven innocent and by wielding the “big stick” first. On the other hand, they applaud the Tax Office where it is seen to be assuming that people are innocent until proven guilty.... Where this is the case most people are much more prepared to support “cracking down” on those who persist in behaving inappropriately (1999a: 2).

5 Among the four “primary indicators” used to build an index of “industry cash risk”, three of the four variables derive from information obtained from individual taxpayers: previous compliance behaviour; the quality of record keeping; and the level of cash. The fourth indicator or variable is “ATO presence” which derives, of course, from the organisational behaviour (that is, the combined rate of audit and enforcement interventions, relative to the number of taxpayers).

6 The key-word “embeddedness” shows-up on the Web of Science and Web of Knowledge’s ISI citation index as being applied in some 896 different journal articles and other publications. Many references have been directly made to Granovetter’s article by researchers in a variety of disciplines.

7 Emirbayer & Goodwin refer to Max Weber’s concept “elective affinity” to show how “particular discourses and cultural formations come to find a ‘match’ and to ‘resonate’ with specific historically embedded actors” (1994: 1430). With regard to non-compliance this raises some interesting questions about how economic rationalist discourses (which have come to dominate the operations of tax regulators) intersect with the attitudes that taxi-drivers have developed towards paying tax on income that is generated within the industry. Chapter four discusses how the industry has historically always been regarded as a source of tax-free income. Chapter five will discuss how the ATO manages and defends its revision of its historical non-enforcement policy. That is, up until the early-1990s cabbies’ non-compliance was condoned. The politically inspired speculations as to the vast amounts of lost revenue that could be recovered in the cash-economy have changed the ATO’s formal enforcement rationale and tolerance.
3. Methodology and Research Design: Focus-Groups and Interviews

Murder, rape, pillage, arson, fraud, swearing, overcharging, talking too much or not enough, turning up too late or not at all, racism, smelling of BO or alcohol, not understanding English, wild driving and going the wrong way. You name it and Australian cabbies have done it, or are being reported of doing it - or both - for years (Boag 1990: 38).

The above observations by a journalist, almost two decades ago, portray something pertinent about the public’s negative image of the cab-industry. More significantly, it says quite a bit about cab-drivers and the ways in which they deliver transport services. The popular media will reproduce similar moral panics to accommodate the public’s apparent and insatiable thirst for shocking anecdotes by aggrieved consumers. However, from a sociological perspective, public perceptions reflect a much bigger picture. Following Mills’s (1957) call for using one’s “sociological imagination”, a more comprehensive understanding of phenomena will necessarily involve an investigative approach that uses appropriate theoretical frameworks and conceptual tools which critically analyse and explain people’s attitudes, beliefs and social behaviours. Consequently, it is imperative to develop a methodology that considers the wider social context of cabbies’ lives when exploring their individual non-compliant behaviours and other violations of social rules, values and common norms.

Guided by the two research questions, as discussed in chapter one, this case-study involves an exploration of structural forces that lead to and perpetuate tax non-compliance among taxi-drivers. The main aim is to gain an ‘insider view’ into the justifications for cabbies’ seemingly unrelenting attitudes and non-compliant actions. Moreover, this explorative study does not pretend to devise new general laws about individual taxpayers’ behaviour but has been designed to understand and interpret illegal actions that take place within organisationally and geographically diverse
environments where sub-cultural norms, values and defiant attitudes are firmly imbued.

Consequently, this case-study has opted for the use of a qualitative research method to explore and compare stories, anecdotes and experiences of non-compliance within diversely situated social networks of cab-drivers in Australia’s three Eastern-seaboard States and the Northern Territory. Based on the premise that non-compliance and evasion cannot be directly observed, the units of analysis have been my conversations with a selection of cabbies. The purpose of the selected research design was to provide informants with an opportunity to share anecdotes, to talk in public about their non-compliant activities, and to vent their sentiments with regard to the new compliance measures and enforcement strategies of the ATO.

According to Silverman, conversations and anecdotes can be treated as public accounts that produce a “narrative drama”, whilst describing different experiences of reality and invoking “cultural logics” that are shared by the members of a focus-group. Alternatively, focus-group participants and researcher/moderator become interdependent parties involved “in the generation of social reality built around categories and activities” that are routinely attached to cabbies’ tax non-compliance and deviant activities (2004: 5). Furthermore, in analysing these “categories and activities, we see the local production in each case of versions of a moral order” (Baker 2004: 163).

The study’s verbal accounts, narratives and anecdotes were generated during six semi-structured focus group interviews with cabbies. For comparative purposes and contrast, the focus-group interviews with cabbies have been supplemented by face-to-face interviews and spontaneous conversations with ATO personnel. The main aim of the latter strategy was to ascertain to what extent the ATO views the industry to be problematic among the range of identified cash-sensitive industries and environments. More particularly, it was imperative to hear how the ATO views its chances of mitigating cabbies’ non-compliance and ultimately justify its mal-integrated enforcement measures following the introduction of the GST in 2000.

This chapter will first discuss methodological considerations pertaining to focus-group interviewing. It will also discuss how data have been accumulated and analysed. The
concluding section will evaluate my selected method and summarise the main points that facilitate a better understanding of the accounts and commentary, which are contained in chapters four and five.

The appendices to this chapter will provide a brief historical overview of the organisational forms of the Australian taxi-industry, including the legislative spheres that affect cabbies and continue to be responsible for the peculiar social relationship between cab-owners and contracted drivers. They will describe the different environments and provide a sociologically-oriented background to the ways in which the informants talk about their everyday experiences and non-compliant practices. In addition, the outline will further explore the social relations and organisational structures in which the study’s participants conduct their lives as active cabbies. Each research site’s relevant characteristics and basic demographic details have been identified, as well as contain quantitative data with regard to taxi drivers, cabs and other financial details. Finally, the appendices provide the documents that have been used to recruit the informants of this case-study; the informed consent form and follow-up questionnaire; and the questions and topics that have been raised with cab-drivers and the National Manager of the ATO’s Taxi Industry Project Team (see Appendix 3).

3.1 Focus-Group Interviews: A Qualitative Method
This case-study has taken an ontological position—generally known as social “constructivism”—which “asserts that social phenomena and their meanings” do not “have an existence that is independent of social actors” (Grix 2002: 177). The intentionally chosen combination of epistemological position, theoretical orientation and data-collection technique for this case-study can be captured under the broad term qualitative research. According to Devine, a qualitative research method may be regarded as a generic term which,

…refers to a range of techniques including participant observation (overt and covert observation and involvement) and intensive interviewing… such as in-depth individual or group interviews (1995: 137).

The emphasis in most qualitative research is on process, and it concentrates on the contextualised meanings that people use in order to make sense of their immediate
experiences. The main focus of qualitative research is on language and a detailed reading of texts (for example, written words; a conversation; gestures; or pictures), in order to discover the cultural meanings and social contexts in which those texts are produced. Alternatively, qualitative research may use a broad range of methods for listening to, and observing how, people behave and make sense of their social world. Intensive face-to-face interviews are appropriate tools in uncovering and understanding people’s motives and interpretations.

As indicated in the two earlier chapters, much of the recent research on tax compliance is quantitative in nature and can be tied to a positivist epistemological position. Quantitative researchers assume that sociological concepts can be conceptualised as variables which—by using precise measures that can objectively and precisely capture and explain important features of the social world—are expressed in numerical values from which certain predictions can be derived. That is to say, the life-world of taxpayers can be reduced to calculative, statistical values and research on tax-compliance should be based only on empirical observations and testable measures allied to theories.

Positivism is generally associated with deductive logic and a testing of hypotheses on a particular sample of cases. It descends from the general to the particular; from the abstract to the empirical; and leads to either confirmation or a modification of existing theory. Consequently, much of this kind of compliance research is concerned with the precise operationalisation and measurement of theoretical concepts (see Wiegand & Rothengatter 1999). There also tends to be a strong emphasis on behavioural analysis, since,

...behaviour can easily be translated into concepts, operationalised, and observed. The preference is for survey research with a standardised approach to interviewing based on a predetermined questionnaire and closed questions.... The interviews can be replicated easily, and are reliable in reproducing the similar facts. The statistical analysis of the coded replies produces observed regularities which form the basis of explanation, generalisation and prediction. The major concern of survey researchers is with the predictive ability of their statistical findings (Devine 1995:139-140).
Psychologically inspired approaches tend not to recognise the important dimensions of social-economic life and the influences that the sub-cultural environment itself may have upon the meaningful actions of cabbies. Conversely, if human motivational behaviour is, indeed, as predictable as some behavioural scientists believe, most tax enforcement techniques could be applied with a one-hundred percent certainty and success rate, or serve as prediction for all future non-compliance. However, as noted by Aungles and Parker,

...in their attempts to avoid unpleasant circumstances, maximise personal gains, or avoid perceived unfair levels of tax contributions and enforcement measures, human beings often display high levels of ingenuity. They do not respond in a highly predictable fashion; they simply change their behaviour (1989: 4).

One major criticism that may be levelled against positivism is that there is no palpable external reality ‘out-there’—that is, independent of human consciousness. Rather, people as conscious human beings operate within a socially constructed reality in which they attach meaning to their actions. They also possess levels of practical and discursive consciousness, facilitating individual actions. People interpret and evaluate their own situation relative to the situation of others. In short, qualitative researchers who subscribe to this latter school of thought are most interested in

how humans arrange themselves and their settings and how inhabitants of those settings make sense of their surroundings through symbols, rituals, social structures, social roles, and so forth (Berg 1995: 7).

This position is broadly known as interpretivism. Its epistemological orientation towards social research finds its roots in the work of Max Weber, and was expanded by Herbert Blumer (1969) who coined the term “symbolic interactionism”. The interpretivist approach claims that no cultural or social phenomena are fully understandable through direct observation, and thus are accessible only through the interpretations of the individuals or groups they involve. Consequently, interpretive social science attempts to chart and document the meaning systems of people, and uncover the patterns of evolving meaning systems and social conventions that are generated through social interactions (Neumann 1994: 61-3; cf. Bryman 2001: 16-18).
A comprehensive understanding of the meaning of these actions involves the exploration of the social and cultural contexts that shape an individual’s or a group’s choices for using the means to attain particular ends, as well as involving an exploration of motives behind these actions.

Interpretivism thus aims to interpret human [meaningful] actions rather than explain human behaviour. These differences are crucial. Action in this sense refers to a fusion of behaviour with motive: behaviour is observed; motives are inferred. Motive, of course, implies meaning. Action is thus meaningful behaviour. Behaviour implies a chain of causation where all human activity is a response to something observable. Meaning implies values that give action purpose. This is why action must be interpreted and not simply explained using a causal model (Porter 1998: 15).

The act of paying taxes (or failure to do so) must be seen as essentially symbolic behaviour that is infused with subjective meanings attached to that action (or inaction) by social actors. It takes place within a socially constructed reality that is based upon the beliefs and definitions of social actors. Alternatively, meanings allow actors to produce various realities that are based on an interpretation of definitional options, that is: “how inhabitants of a setting define their situation determines the nature and meaning of their actions as well as the setting itself” (Berg 1995: 9). In relation to paying taxes (and interrelated perceptions of procedural and distributive fairness) the important question is not whether the interpretation is correct or not, because “if men define situations as real, they are real in their consequences” (Thomas & Swain 1928: 572).

The actor-network approach of this case-study aims at gaining an understanding of the social system from an insider’s point of view. It moves from the empirical to the abstract; and from the particular to the general. It focuses on group dynamics and makes observations of how the system works, from which a particular theory can be developed, simplified, refined, or advanced—that is, a form of grounded theory. As noted by Kellehear,

[From a study of this system of social life, one attempts to develop an explanation about the development, maintenance and salience of certain
Grounded theory was developed by Barney Glaser and Anselm Strauss in the 1960s. In their pioneering book, *The Discovery of Grounded Theory* (1967), the authors provide a rationale for directing qualitative research toward developing theory and offer various pragmatic guidelines to incorporate process, action and meaning into empirical research and inquiry (Charmaz 2003: 253). It seeks to ground all theoretical constructs in the actual data uncovered during the research process and to build a theory (usually a middle-level theory) that is faithful to the evidence. It makes the research flexible and lets data and theory interact; it forces the researcher to expect the unexpected; and may change the direction and focus of a research project during the course of carrying out fieldwork (Neuman 1994: 322-23; Porter 1998: 31).

For my case-study on cab-drivers, I have adopted a methodology that is based on Derek Layder’s “Adaptive Theory”, which “endeavours to combine the use of pre-existing theory and theory generated from data analysis in the formulation and actual conduct of empirical research” (1998: 1). Layder’s novel approach stems from grounded theory, but he emphasises the importance of exposing and explaining the connections between “system and life-world” in which social actors operate, which can be achieved by means of a more flexible combination of inductive and deductive techniques. It is an approach and “multi-strategy framework” that can be used “…to tease out the multi-layered nature of social life” (1998: 51-2). Moreover, the practical purpose of Adaptive Theory is

... to generate theoretical models of the social reality that is the subject of the research. That is, it attempts to trace those conjunctions of forms of activity and the social relations and modes of organization in which they are embedded.... Thus, the adaptive theory approach works to ensure that at some point during the course of a specific research project a theoretical model of agency-system interlocks will emerge (either nascent or more clearly reformulated) which will provide an indication of what is going on and why” (Layder 1998: 152).

Conducting focus-group interviews is appropriate when the research questions involve learning about, understanding, or describing the social relations among a
group of interacting people within a network of social actors. They are ‘the insiders’ and belong to a social setting that the researcher wants to infiltrate and learn about, in detail. The narratives that are generated during interview sessions illuminate “what’s going on and why” (Layder 1998) from the participants’ perspectives. The analysis of data involves a process by which the researcher performs a continuously reflexive synthesis of extant theory with emergent data. Moreover, this approach can describe and analyse all or part of a culture or community by describing the beliefs and practices of the group studied and showing how the various parts contribute to the culture as a unified, consistent whole (Jacobs 1987: 10).

In summary, the focus-group technique is aimed at “promoting discussion and eliciting information” (Maher et al. 1998: 9) about the inner-workings of a group of social actors and the ongoing processes by which social, structural and cultural factors are mediated at the level of individual experience. A detailed analysis of their specific accounts—including the various outcomes of their deviant actions—is able to identify the deeper underlying principles and motives for their meaningful actions, whilst acknowledging the complexity of the social relations and regulatory settings that influence non-compliance.

3.2 Non-Compliance as Structural Constructionism

Theorising about the causal role of cultural ideals, beliefs and values in the formation of conduct by social actors (see chapter two) has opened up a way to formulate a synthesised approach in explaining ongoing social processes and transformations that affect actors in the taxi-industry. The final component that needs to be resolved within this complex methodological puzzle is how to link concrete cultural formations (and elucidate how these are interrelated with other structural features of social networks) to social actors who have the capacity to produce, reproduce, and transform historically institutionalised features.

Rather than considering agents as passive dupes and recipients of structural social and cultural forces, actors are to be treated as human beings who possess a degree of volitional capacity to act reflexively and are free to make conscious decisions about their tax-compliance behaviour. As noted by Emirbayer and Mische,
[H]uman agency... entails the capacity of socially embedded actors to appropriate, reproduce, and, potentially, to innovate upon received cultural categories and conditions of action in accordance with their personal and collective ideals, interests, and commitments (1994: 1418-9).

In making tax compliance decisions, actors are able to draw upon “tacit stocks of knowledge” (that is, have practical consciousness) about the “social systems which they constitute and reproduce in their action”. In turn, they are able to express their actions “on the level of discourse… [generating] ‘valid’ descriptions of social life” (Giddens 1979: 5).

Focus-group interviews are able to explore the narratives of cabbies and uncover how narratives are connected to their socially constructed roles and non-compliant activities. According to Canter & Alison (2000: 9), their non-compliant narratives can be seen as a product of social processes, which accords with a social constructionist perspective and is summarised by Berger and Luckmann in the following manner:

[Identity is formed by social processes. Once crystallised, it is maintained, modified, or even reshaped by social relations. The social processes involved in both the formation and maintenance of identity are determined by the social structure. Conversely, the identities produced by the interplay of organism, individual consciousness and social structure react upon the given social structure, maintaining it, modifying it or even reshaping it (1967: 194).

Actors’ social identities are not static entities, but change over time and are influenced by broader socio-economic developments and the political discourses about the roles of particular social actors. Hence, it can be argued that cabbies’ social functioning and their collective identity vis-à-vis tax regulators also represent a, …history of struggle and contestation that has produced actors with certain understandings about themselves and the world which predispose them to [act] under a certain set of social rules and not another (Krippner 2004: 111).

When these historically embedded, collective and individual identities of cab-drivers as taxpayers are contested and new regulatory enforcement measures are imposed
by tax administrators, ongoing social relations are either being interrupted or disturbed, and a re-alignment of practices will typically follow.

An integrative macro-micro understanding about changing compliance practices of social actors in networks of social relationships can be extracted by applying a notion that treats meaningful behaviour as the product of interactions between self-reflexive social actors. In following Stokes and Hewitt’s concept of aligning actions, the analysis of accounts,

...provides a bridge between structural and interactionist perspectives, lending the former a more satisfactory view of the formation of conduct and the latter a means of explaining persistence (1976: 838).

Moreover, and as can be discerned from the work by Sykes & Matza (1957), Ditton (1977) and Henry & Mars (2001), narratives that evolve during a focus-group interview will elucidate how participants use accounts and a particular vocabulary to justify their non-compliance. In short, the cabbies’ vocabulary of motives “enables them to talk about events in contexts other than those comprising their action. At the same time, talking about action is itself a meaningful action having its own motives through which the original action is able to be reconstructed” (Henry & Mars 2001: 47).

3.3 **Vocabularies of Motive and Aligning Actions**

The recursive relationship between culture and action can be elucidated by applying Stokes & Hewitt’s concept of “aligning actions”, defined as:

largely verbal efforts to restore or assure meaningful interaction in the face of problematic situations of one kind or another, activities such as disclaiming, requesting and giving accounts, constructing quasi-theoretical explanations of problematic situations, offering apologies, formulating the definition of a situation, and talking about motives [illustrating] a dual process of alignment (1976: 838).

The first component involved in this social process and the main function of these types of actions are to overcome obstacles and interruptions to widespread cultural expectations and customs. However, “aligning actions” also play a major role in
cementing the relationship that exists between cultural expectations and an individual's actions that go against what is generally accepted as “situationally appropriate” behaviour and conduct (1976: 838). Applying this concept to tax-compliance behaviour of cab-drivers relies on similar tenets that underpin actor network analysis and the analytical problems associated with a thin conception of embeddedness, as discussed in chapter two.

Applying this concept to tax-compliance behaviour of cab-drivers relies on similar tenets that underpin actor network analysis and the analytical problems associated with a thin conception of embeddedness, as discussed in chapter two.

Tax compliance behaviour from cab-drivers, then, is not just a product or a robot-like enactment of deeply internalised cultural values (normative content), but also reflects socially constructed meanings and situational responses to problematic objects that confront cabbies in their ongoing social interactions that require negotiation. As noted by Canter and Alison, the social environment in which the “…bizarre thought patterns, self-images and extreme behaviours” that are displayed by cabbies, are “likely to be a product of a personal narrative of alienation, nurtured and fuelled by comparisons to the groups that the individual no longer feels part of” (2000: 4). In this sense, their symbolic non-compliant actions can be construed as pragmatic responses to contested meanings that are aimed at maintaining situationally appropriate conduct to protect the status quo vis-à-vis their actual compliance practices.

Thus, the motivational drivers for non-compliant actions are not located “somehow inside individuals” but are a product of “the crucial interplay between consciousness of self and of environment”, in particular in situations where alternative lines of conduct are possible (Stokes & Hewitt 1976: 845). This latter analytical insight can be derived from the work of C. Wright Mills and his idea of “motive talk”.

Rather than fixed elements “in” an individual, motives are the terms with which interpretation of conduct by social actors proceeds. This imputation and avowal of motives by actors are social phenomena to be explained [and] stand for anticipated consequences of questioned conduct. Intention or purpose (stated as a “program”) is awareness of anticipated consequence; motives are names for consequential situations, and surrogates for actions leading to them (1963: 439-41).

The typical “vocabularies of motive” contained in cabbies’ avowals, represent their conscious interpretations about their material existence and “provide the clues to
what [cab-drivers] see, to how they respond to it, to how they feel about it, and to how they respond to those feelings” (Mills 1963: 405). However, cabbies’ vocabularies of motive also contain elements of a “discursive consciousness of regularised relations of autonomy and dependence” (Giddens 1979: 7) that affect them in their struggles against dominant interests and—by extension—the tax-regulators’ perceived complicity in sustaining the exploitative conditions of their material existence.

Alternatively, by incorporating the data gained from interviews with tax-regulators, it is possible to discern the vocabularies of motive and aligning actions that the Australian Tax Office uses as avowals that justify their particular enforcement measures vis-à-vis Australian cab-drivers. These data will also reflect the complex processes that are involved in the social construction of tax compliance discourses within networks of ongoing social relations. Moreover, social structures, processes and regulatory products are representative for, and the emergent manifestations of, situated interactions that take place within and across formal organisations of social control. They are understandable in terms of regulators’ contextual constructions, avowals of reality, and the specific organisational methods for constructing their subjective reality.

By analysing the vocabularies of motive of both cabbies and regulators, this case-study will demonstrate that tax non-compliance is a fundamentally socially constructed process in which the obligation to paying one’s taxes may clash with deeply embedded cultural and symbolic meanings that both enable and constrain cabbies. As such, it will make possible an evaluation as to whether current compliance strategies and politically influenced discourses resonate with cab-drivers, or produce an elective affinity (see chapter two) that makes cabbies maintain their enduring non-compliant identity, defiant postures, attitudes, and practices.

Tapping into a meso-level of networked actors’ behaviours, in particular, can be achieved through conducting group interviews (Hamel 2001; Morgan 1988; Krueger 1994; Ridgeway 1983) and a lexical analysis of a network’s operative features that are both generated and expressed by social actors who are situated within functioning trading-networks. According to Lyman & Vidich, human action
arises out of the distinctively human capacity to engage in self interaction, that is, to note things, define objects and situations, and determine the significance of these interpretations for carrying forth a line of action (2000: 56).

Focus-groups that are established through existing contacts within certain networks (that is, through snow-ball sampling) are likely to also reveal the importance that structural characteristics of the network itself play in non-compliant processes (Hiebert 2003). Alternatively, group interviewing has the significant advantage of allowing participants to recall and reflect on their own experiences during the session, “especially in response to other group members whose comments… that can result in the modification or amplification of earlier thoughts and commentary” (Lofland et al. 2006: 20).

3.4 Focus-Group Composition
The main objective for choosing focus-group interviews as a research method for this particular study is to tap into participants' “practical consciousness of their actions that stem from their immediate experiences” (Hamel, 2001, pp. 346-7) and explore both the extent and depth of their networked social capital. Furthermore, it illustrates how social actors do produce “reflexive responses to a social environment”, which express their needs and that the latter are located “in a set of determinants within contemporaneous fields of societal values” (Mills 1963: 431). The most pertinent underlying objective, however, is to show how the ways by which members of a (social) network define themselves,

...in relation to tax authorities and other groups of taxpayers, affects attitudes to paying tax, the strength of objection to or acceptance of paying tax, the perceived fairness of tax, and the degree to which self-interest versus ‘civic duty’ is likely to be a motivating factor... understanding how taxpayers perceive themselves in the tax system is fundamental to understanding the motivations which underlie taxpaying behaviour (Taylor 2001: 2).

The main advantages for using focus-group interviewing are that it is a socially oriented method (see Berg 1995; Devine 1995; Turner 1983); it captures the actual dynamics and interactions between social agents in similar situations; and the research is conducted in a “permissive, non-threatening environment” (Krueger 1994: 6). Attitudes and opinions held by similar people “embrace both the definition of
situations and the feelings about them” (Lyman & Vidich 2000: 35). Moreover, participants stimulate one another in disclosing entrenched cultural practices and lived-experiences, which the moderator can probe in greater detail and depth, as opposed to a rather tight format for questioning general attitudes and compliance behaviours through individual surveys. Finally, focus-group data have “high face validity”; are relatively cheap to run; and can “produce quick results” for policy-makers (Krueger 1994: 28-38). Even though generalisability may be compromised “it may still be possible to generalise on the grounds of similarity of dynamics and constraints” (Sheehan & Smith 2003: 4).

The process of data collection for this research project involved a form of theoretical (non-probability) sampling and the careful selection of additional data that contribute effectively towards the emergent conceptual categories and their respective properties; their relationships; and the emerging theoretical framework in respect of tax compliance approaches. According to Layder, “the validity, meaningfulness and insights gained from qualitative inquiry using purposive sampling have more to do with the information-richness of the cases… and the observational and analytical capabilities of the researcher than with the sample size” (1998: 146). The selection of this case-study’s sample was—in addition to methodological and theoretical considerations—also driven strongly by the personal understandings that the researcher had about certain types of networks. One of the main premises here is that ‘off-the-books’ transactions between trading partners involve necessarily particular forms of collusion, in order to prevent regulators from discovering non-compliance by checking third-party information, or through cross-referencing formal documents with other government agencies’ data and administrative procedures (cf. Wiegand 1994). The other main hunch has been that tax non-compliance by cabbies is strongly related to their perceived lack of integrity, coherence, consistency and predictability of the overall regulatory environment that affects them. This form of situated epistemology, or situated knowledge gained from individual experiences, is valid and should be be taken into account.

A focus-group is ideally composed of four to ten participants who are recruited because they have certain characteristics in common that relate to a topic under consideration (see Berg 1995; Morgan 1988; Krueger 1994). A focus-group is built upon a carefully planned discussion, designed to obtain perceptions on a defined
area of interest or topics. The focus-group method can be seen as a study of hand-picked, key-informants who ought to be chosen on the basis of representation of the network under study, rather than as being proportionally selected representatives for a whole population from which one can make statistically sound predictions. A focus group is probably best seen as a means of sampling a cluster of perspectives, ideas and processes, rather than estimating the relative frequencies of the number of people in a population who actually hold these perspectives and ideas or are involved in particular processes (Thomas et al. 1992: 12).

The quasi-informal atmosphere of the focus group interview structure is intended to encourage subjects to open-up freely and completely about behaviours, attitudes, and opinions they possess (Berg 1995: 68). The small group setting offers a psychological security that facilitates the truthful discussion of sensitive issues, such as tax non-compliance (Morgan 1988). Focus-groups can be very dynamic and the interaction between the participants stimulates a type of discussion in which members of the group respond to another member’s comments on the topic. Participants may even form an opinion about the topic, not previously held, in the course of the actual discussion. This occurs through a dynamic process described as a “synergistic group effect” (Berg 1995: 69).

However, cabbies are a highly suspicious and closed group when it comes to talking about their personal tax affairs and do not easily provide researchers with a lot of inside information (Sheehan & Smith 2003: 4; cf. Rothengatter 1996; Skenning 1996; Vidich 1976). Personal contacts between the researcher and representatives of the taxi-industry (including drivers’ associations) have made access to different networks of cabbies less complicated. Furthermore, in using a kind of “vignette technique” (Hughes 1998: 383) during the focus-group interviews, participants were encouraged to discuss sensitive matters without fear of moral implications or threatening their moral status. As an insider researcher, speaking about non-compliance with regard to taxation did not produce an ethical dilemma that Fetterman (1989) classifies as “guilty knowledge”, but strengthened trust and rapport with the moderator, thus creating an interview environment in which no (a priori) reproving moral judgements toward tax-evasion existed. By using an insider and social researcher—as moderator who has knowledge about the research setting and is familiar with the typical modus
operandi of the actors in question—possible responder-bias has been questioned or challenged during the interview session itself.

There are also some disadvantages in using focus-groups interviews pertaining to research on tax compliance behaviour. Because the researcher/moderator has less control than in individual (one-on-one) interview settings, certain members of the group may attempt to dominate the discussion; can influence the direction of the evolving discourse; or obstruct a free flow of information intentionally (see Krueger 1994). Others may remain silent in fear of formal repercussions or the strength of informal social control within their network (for example, a code/conspiracy to silence, loss of trust, or public ridicule). Some participants within a group may exercise forms of self-censoring, or contradict themselves inadvertently at different stages of the interview-session. Consequently, narratives may turn into merely expressing personal opinions or espousing (stereotypical) political convictions about the behaviours of generalised others, rather than give an honest account of one’s own possibly incriminating and deviant practices. Furthermore, the recruitment of suitable participants for group discussions (and on contentious topics, in particular) may be difficult and time-consuming. Lastly, the data that are generated from focus-group interviews cannot easily be generalised to the broader population of taxpayers, as may be the case with data from large-scale, quantitatively oriented surveys.

Within the context of the specific research questions, the following broader topics have guided the line of questioning during the focus-group interviews:

• How do Australian cab-drivers perceive the extent of tax-evasion and what are the typical techniques of tax non-compliance in their industry?
• Are there key structural differences among taxi-driver networks (for example, bailment conditions and statutory legislation) that generate unique opportunities for tax non-compliance?
• Do cultures of compliance (for example, notions of tax fairness; notions about collecting the GST; cash-handling and receipting norms; definitions of unethical business practices; ‘dobbing-in’ norms; and perceptions about the likelihood of detection) vary across taxi-networks?
• What role does the ATO or other agents of social control play in communicating notions of regulatory enforcement and the promotion of voluntary tax-compliance and improved self-regulation?
• How do cab-drivers construct notions of distributive and procedural fairness that influence their compliance behaviour?

These related research questions, in turn, have formed the basis for the selection of participants, and the topics/questions that have been used as the moderator’s guideline for conducting the focus-group interviews (see Appendix 3).

3.5 Selection of Participants and other Methodological Issues
Network sampling goes by various names: chain-referral sampling; reputational sampling; and snowball sampling are perhaps the most common. The essential idea is to employ a sampling method by which subjects are recruited into the sample and are then asked to help recruit additional subjects. As the fieldwork evolves, this method yields a network of individual actors connected through a set of shared associations, relationships, and interactions.

Often access involves getting past gatekeepers whose function it is to keep outsiders away from the group. It is the initial contact who vouches for the researcher that helps to define the research objectives to the study group, and encourages other members to participate in the study. However, network sampling does involve considerable time in the field, as there are usually no short-cuts to building trust and rapport with the study group. The preparation time and actual recruitment process for this case-study has been approximately ten months.

The selection of the various Australian focus-groups in the different States and Northern Territory has been partly guided by pragmatic considerations, as well as driven by methodological and theoretical trade-offs. The study’s selection for the two groups in Geelong and Melbourne has been based on the researcher’s historical involvement with cabbies in the State of Victoria and reflect strongly established connections with a diversity of informants that are representative of the heterogeneity among bailee-drivers, lease-operators and taxi-owners. As the former president of a regional drivers’ association it has also been possible to announce the intention to conduct focus-group interviews in a Sydney-based industry magazine (Cabbie
Moreover, invitation letters were distributed by mail to various drivers’ associations and personally handed out by local taxi activists who, at the time, were active cabbies in the selected cities and towns.

The case-study has relied on additional recruiting by involving contacts within the ATIA in Sydney and Darwin. The latter site involved a number of general discussions about the state of Darwin’s taxi-industry with the general manager and member of the Board of Directors of the town’s largest taxi cooperative. The composition of focus-group participants in Brisbane and Sydney has been the direct result of tapping into a number of taxi-activists, trade union members and other vocal representatives of drivers’ associations. Even though this may have coloured the type of responses during the interview sessions to some degree, their extensive experience with the industry, routines and the local culture of cabbies, has increased the ecological validity of the study as well as contained strong elements of “member validation” (Neuman 1994: 357).

The initial research design contained a cross-cultural component, in order to compare and contrast conditions for taxi-drivers in Australia and The Netherlands. Whilst preparing focus-group sessions for both countries, it soon became clear that the logistical aspects and handling the information and analysis of data would be too complicated, labour intensive and beyond the scope of the thesis. At the prudent advice of my supervisory team, the intended Dutch component of the study was put on hold and the pilot data, which the researcher had collected during a family visit in 2004, could become the basis of future comparative taxation research on cab-drivers.

Even though every attempt was made to recruit young drivers, recent migrants, overseas students and irregular drivers, no persons in the latter categories were found willing to participate. Interestingly, the seasoned cabbies in the two Victorian groups were not at all surprised by their absence, which was attributed to both the sensitivity of the topic, implying a guilty verdict with regard to tax evasion, and a lack of education and intellectual capacity to express oneself in a coherent fashion. In order to verify their ‘cutting comments’, the semi-structured discussion agenda that was used in the Sydney and Brisbane focus-groups contained a specific line of questioning the absence of these groups of commonly perceived tax-cheats, which
chiefly provoked similar generalising explanations and critical remarks. The main difference was that the highly knowledgeable participants in the Sydney group did not blame these marginalised cabbies personally, but held the industry itself and transport regulators’ lack of enforcement responsible for creating and maintaining an environment that is but conducive to ongoing exploitation and tax fraud.

The focus-group interviews were conducted in different venues, that is, a private dwelling (Darwin); a hotel room (Sydney); a restaurant conference-room (Melbourne and Brisbane); and the Shell Club (Geelong). In interview, I attempted to establish a sense of ease and trust by emphasising my personal experiences as a cab-driver rather than my role as researcher. The research did not involve any financial compensation to participants, other than drinks and light refreshments that were provided by the researcher. The researcher’s travel expenses and accommodation costs were funded from a small research (scholarship-travel) allowance by the University of Queensland.

All informants signed the appropriate Informed Consent Forms (see Appendix 2). Interviewees were advised about the processes of tape-recording (thus also providing verbal consent), the transcription of material and informed about the various safety procedures with regard to their provided data. Furthermore, participants were asked to follow the confidentiality undertaking by the researcher and apply the same explicit principles to anything that was discussed during the session and respect one another’s right to confidentiality. Participants were informed about the option to withdraw from the group at any point of time and provided with the moderator’s assurance that, if they chose to leave the session, all information already provided would be erased from the records. In order to protect the anonymity of the participants, they were asked to assume a pseudonym (written on a coloured name plate) and use it throughout the sessions, including addressing one another only on the basis of the adopted pseudonym.

The main semi-structured interview with the ATO was made possible by the researcher’s previous contacts and involvement with the Tax Office’s research department in Canberra, the ATO in Melbourne and the CTSI. The primary interview with the TIPT took place at one of the ATO’s Regional Centres (Melbourne) in July 2003 and has also been fully transcribed. The National Manager of the Taxi Industry
Project Team (TIPT) did request a preview of the semi-structured questions (see Appendix 3) for circulation among other team members and before agreeing to the interview. The line of questioning was partly informed by some of the remarks from cabbies during their interviews, as well as the moderator’s previous collaboration with the ATO in his role of representing the interests of a regional drivers’ association. My field trip to Darwin also involved an unofficial visit to the local ATO office and an informal discussion with one of the organisation’s employees who was involved with the TIPT.

All participants were asked (on a voluntary basis) to complete a debriefing and evaluation form (see Appendix 2). There were no subsequent objections to any of the questions or issues raised, nor have there been any demands to receive and/or veto the transcription and analysis after conducting the interviews. Members of the Taxi Industry Project Team (TIPT) were given identical undertakings as provided to cabbies with regard to anonymity and confidentiality. No ATO operative made any claims that the viewpoints they expressed were purely personal opinions and cannot be regarded as being representative of the ATO’s official position, except where the discourse implied quite specifically that the opinion was a personal one. Consequently, their narrative and viewpoints can be treated as valid expressions of the ATO’s public position on both policy initiatives and enforcement measures with regard to the taxi-industry.

Field-notes taken during visits to the different research sites have been incorporated throughout the analysis and have, where suitable, been applied in chapters four and five. Appendix (A) to this chapter may be regarded as the general landscape in which the unfolding “narrative drama” and the invoking of “cultural logics” (Silverman 2004: 5) by members of the focus-groups can be contextualised. In Layder’s terms, the information of the appendices will provide some of the “background and orienting concepts” (1998: 5) for the analyses of data contained in chapters four and five.

Ethical clearance for the case-study was granted by the Behavioural & Social Sciences Ethical Review Committee of the University of Queensland (St. Lucia Campus), in accordance with National Health and Medical Research Council guidelines. All transcripts and data will be held for a period of six years from the dates of the interviews and have been kept in locked filing cabinets.
3.6 Data Coding and Analysis

In common with a grounded theory approach, Layder (1998) argues that the research process does not necessarily follow an orderly procedure, but can be rather a fluid and messy affair, with analysis, theorising and data collection occurring either simultaneously or in a haphazard manner. My personal experiences during the different stages of the research have been eloquently matched by Layder’s description of the lengthy processes and steps that may be involved in analysing interview data.

The sessions with cabbies were all tape-recorded and transcribed personally by the researcher. In transcribing the tapes myself, it was possible to re-live the session and enabled the recalling of unrecorded data, such as the group members’ appearances, demeanour, tensions and atmosphere during the sessions. Next, the correctness of the transcripts was checked by combining my careful reading of the text while playing-back the audio tapes, and making notes on preliminary concepts of interest and controversy by highlighting the text. Ethnographic details of the participants were recorded by using the data on the completed consent forms, enhanced with the researcher’s field notes that were appended to the transcripts.

I chose not to use computer software programmes (for example, ENVIVO, NUDIST, or LEXIMANCER) for the qualitative analyses of the transcripts. This traditional approach is underpinned by a notion that technical, computer generated codes are somewhat removed from the overall analytical process that is required in order to mine the data-sets of group interviews to their fullest extent. In addition, the use of software packages can foster a reliance on codes as the sole method of analysis (Charmatz 2003: 268), whereas it is imperative that the coding of data is integrated with the study’s field and theoretical notes. It could also be argued that using software does very little in assisting recognition or interpreting latent as opposed to manifest content of the transcripts. Nevertheless, the laborious manual process of working and re-working the data over a long period of time was rewarded by an increasingly connective familiarity with the generated narratives within each focus-group session. Qualitative analysis via computer programmes does not appear to offer much by way of conceptual advances upon manual methods and cannot be a substitute for the researcher’s evolving engagement with the data throughout the duration of the research process.
The transcript data of the Geelong and Melbourne interview sessions were utilised to construct provisional codes, or labels, as an initial attempt to categorise the data that, in turn, were incorporated (where possible) in the analysis of data from the interviews at the other three sites. This is similar to the process that is used in grounded theory and a form of “open coding” (Strauss & Corbin 1998:101; cf. Neuman 1994: 407-8). However, and in accordance with Layder’s “adaptive theory”, the search for new codes should occur in tandem with the use of one’s extant theoretical assumptions and continues at all stages of the analysis and collection, rather than becoming increasingly restrictive or more selective. In doing so, the process of “pre-coding” enters into a dialogical combination with extant and emergent theory and produces more relevant codes, rather than as many as possible codes. Coding in this fashion initially “helps to develop a more specific focus on the emerging data and gives direction to the analysis by highlighting relevant questions that one might want to ask about the data”. The subsequently more refined coding into “core and satellite concepts” is the logical outcome of the pre-coding process; will enable the naming to help classify the data into categories; and attempts to target theoretical pertinence (Layder 1998: 55-56).

Upon completion of all focus group interviews, transcribing and my preliminary grouping of core and satellite concepts, I then constructed related sets of concepts by clustering the relevant codes generated from each interview. Next, I used large sheets of paper to make visible the different connections, comparisons and contrasts between the main recurring themes, ideas and concepts. This was followed by incorporating my hand-written notes into further theorising about the nature of the relationships between concepts, themes and extant theory. The evolving notes and observations enabled me to extend my findings while, as the analysis progressed, drawing upon and modifying the existing literature on tax compliance.

The next step in the process was the writing of six complete analyses of every interview session (including the interview with the TIPT). Each individual analysis of the data on cabbies comprised three main components. The first part provided a description of the research site, incorporating the environmental, demographical and regulatory conditions under which the interview participants operate. Peculiarities in the different social relationships that exist among cab-drivers in the different States and the Northern Territory were highlighted and preliminary speculations about their
impact upon tax compliance were noted. The next part consisted of the researcher’s interpretation of the data, incorporating a discussion of the main themes, theoretical implications and the different verbatim record of expressions, ideas and speculations that had been made by the participants in response to the semi-structured questioning and probing by the moderator.

The final part of each individual analysis contained the researcher’s summary of main findings from each session, and an evaluation about their implications with regard to the ATO’s regulatory measures and enforcement strategies towards cab-drivers. The analysis of the data that were generated during the ATO interview was written last. It used a similar format as described above. However, it was enriched by the benefit of already having written the cabbies’ insights with regard to their personal views about the relationship between the ATO, the taxi-industry and cabbies as taxpayers.

The writing of the six individual analyses took place over a period of about eighteen months (immediately following the transcription of the tapes) and generated a total testament of around 120,000 words. This accumulation of pre-organised data could be regarded as a large “analytic memo” (Neuman 1994: 410). It contained an extensive record of the evolving theoretical results in the context of my multi-strategic approach that aims at increasing “the strength, density and validity of theoretical ideas and concepts that emerge from data collection and analysis” (Layder 1998: 68).

The selected themes and segments as presented in chapters four and five were subsequently extracted from the six individual analyses. The final selection of major themes was based upon highlighting the recurring concepts and themes from the individual analyses and using a selection of the most appropriate quotations from participants to link the study’s findings to the evolving grounded theory and concepts with regard to tax non-compliance.

3.7 Ethical Dilemmas and Personal Challenges: Concluding Reflections
As indicated in the Preface, my “immediate biographic experiences” have become the “springboard” for this naturalistic case-study and have been useful to “make the link between certain life experiences and associated emotional reactions, particularly of those studied (Lofland et al. 2006: 10-12). My direct personal involvement in the
lives of other people, however, may have given rise to a number of ethical dilemmas and anxieties with regard to issues such as loyalty, confidentiality, morality, overt racism and fraudulent behaviours of participants in the study.

As an “insider” researcher (Lofland et al. 2006: 41), the intentions and aims of the study have been clearly communicated to all participants, including the prescribed protocols for researching human beings, ethical considerations and confidentiality undertakings. Cabbies were advised in writing about the detailed intentions of the study, given an opportunity to make comments about the truthfulness and content of the interviews (insider validity), and were provided with an undertaking of feedback by the researcher upon completion of the case-study. A similar, overt position has been taken with regard to information that was offered by ATO personnel. The most obvious issue with taking this ethical approach is that the participants of the case-study, who have voluntarily agreed to the interview sessions, are mainly people who have a degree of active agency.

As indicated before, there are some limitations to obtaining a sample by a snowball method, or reputational sampling (Neuman 1994: 199). Nevertheless, it also makes this case-study unique and valuable, since any similar research will encounter the same problems and would unlikely to be undertaken on a larger scale, in the current economic and political climate. Moreover, it is the first time that diversely located groups of Australian cabbies, as well as tax regulators, have publicly spoken about tax non-compliance among taxi-drivers with a social researcher. In short, though the sample may be regarded as statistically unrepresentative, it meets the criteria of a non-probability, indicative sample and has been rather valuable for its ability to provide “information-rich cases for in-depth study” (Layder 1998: 46).

As Lofland et al. state in their warnings for field researchers, two particular challenges became eminent during the focus-group interviews with cabbies and the ATO. The blatantly racist comments during the Melbourne sessions caused some strong negative emotions and feelings toward some of the participants, ranging between “at one end to complete engulfment or surrender at the other end, with feelings like loathing, marginalization, sympathy, and identification manifesting themselves between the two extremes” (2006: 56-7). The strategy that I deployed during the session was for other participants to comment on the assertions by
members of the group. In the evolving discussion, similar accusations were made, albeit in more politically correct terms. The accusations of tax fraud and a lack of driving skills with regard to ethnic minorities, for example, were heard during every other focus-group session. By contextualising the participants’ derogatory remarks, I decided that the most appropriate position to take was one of “sympathetic identification”. That is, I was able to treat the comments as “a nonjudgmental understanding of the inner life of [the] informants without actually adopting their point of view” (Lofland et al. 2006: 62).

The other major challenge occurred during the interview with the National Manager of the Taxi Industry Project Team, which involved an example of Howard Becker’s (1970) concept of a “hierarchy of authority”, asserting that researchers who investigate the tax affairs and deviance of the less powerful are biased, whereas the ATO’s authority and viewpoints on cabbies’ tax non-compliance are assumed to be infinitely more credible (cf. Neuman 1994: 363). In this particular instance I was able to invoke my role as an advocate for these less powerful, strengthened by their accounts of the lack of industry-intelligence that the ATO continues to face. Even though the test-case before the various Courts would have given an impression of the regulator’s comprehensive overview of the Australian cab-industry and its players, the game of playing legal semantics and the subsequent introduction of mainly ineffective, practical operational matters to combat cabbies’ non-compliance speak for themselves. Put differently, the ATO interview inadvertently increased the validity of the observations and remarks that cabbies made about the regulator during their respective sessions.

This chapter has provided pertinent methodological considerations and a brief summary of the research design and protocols of the case-study. The chapter has explored the potential of using focus-group interviewing as a valid research method to elicit information from participants in an interactive environment. The discussion has illustrated how talking about action by cabbies is meaningful in itself, while being able to reconstruct the motives and intentions of past and future compliance behaviours. The final section of this chapter has provided details of the research design, the type of questions and topics for discussion of the sessions, and indicated how the study’s data have been analysed. The appendices to the chapter have
provided a brief history of taxis as a transport phenomenon and contain the descriptions of the various research sites.

The following chapters contain the final evidence of many hours of fieldwork planning, interviewing and ongoing analysis of the qualitative data of the case-study. The stories, disclosures, anecdotes and atmosphere during the sessions may now take over from theory, concepts and methodological considerations. As such, the next chapters are an illustration of Layder’s perceived aim of this type of research to provide a window into a life-world that is rarely rendered transparent. It has been an attempt to elaborate upon “the manner in which the everyday worlds and social activities [of cab-drivers]… are reciprocally linked with systemic factors” (1998: 149). As researcher, I have thoroughly enjoyed the ride.

Endnote:

1 In discussing the problems that social researchers experience with regard to differences between self-reported behaviour and actual behaviour, Hughes (1998) suggest that using the vignette technique can produce a process in which respondents are offered an opportunity to address questions from a less threatening perspective. The technique offers them the distance and emotional space to provide “a discursive interpretation within the context of the vignette” (p. 383). Because the individual cabbie is not directly being asked about the tax non-compliance that is in progress or has taken place in the past, it allows people to discuss their experiential perspective without fear of possible moral implications for their non-compliance or damage to their personal reputation (cf. Ditton 1977).
APPENDIX 1

Taxis as public transport

The provision of taxi services in Australia is performed by people who are in control of a motorised vehicle of some description. The taxi-industry has undergone a number of structural, financial and technological changes and innovations that have evolved during the last two decades. From the humble beginnings of mechanical taximeters and two-way-radios in the 1920s, many cabs of the twenty-first century are now equipped with sophisticated microchip technology in tariff-meters and computerised communication devices, including the installation of EFTPOS (Electronic Funds Transfer @ Point Of Sale) machines. On-board computer terminals for the dispatch of jobs, navigation and tracking devices through a Global Positioning System (GPS)—including state-of-the-art security devices and video cameras—are common pieces of equipment and can be found in most taxis nowadays.

Notwithstanding the technological advances in both vehicle and equipment, the actual conduct of the taxi-driver is still the major ingredient in the delivery of the service. The performance of cab-drivers is chiefly determined by the quality of their local knowledge of roads, streets and significant establishments, such as hospitals and churches; hotels, pubs and night-clubs; schools and government offices; theatres and large entertainment venues; and stations, airports and sea-ports or other passenger terminals. Whatever current and future technological developments may entail, the diminution of the human factor in the actual delivery of transport-services is extremely unlikely. Whilst the telephone bookings and actual dispatch of jobs may be fully automated through computers and distributed via satellites, only human beings can drive motorised vehicles.

Taxi-cabs have existed since the late nineteenth century, starting with the horse-drawn ‘Hackney Cabs’ in England (London). Following the invention of engines and subsequent introduction of motor vehicles, taxis have become one of the permanent fixtures of many cities around the world. In countries like the United States of America and the United Kingdom most taxi fleets arose in the form of private companies, partnerships, or cooperatives among individual taxi-owners, in the early twentieth century. London and New York are notorious for their fleets of Black Cabs and Yellow Cabs, respectively. Stringent requirements are in place before a
“medallion” is granted to a qualified cab-driver in the City of London (that is, three years of training in order to gain ‘The Knowledge’). No such in-depth knowledge is required in Australia. The process of gaining a taxi ‘driver certificate’ is limited to passing a (local) geography test, and demonstrated knowledge of the location of the main landmarks, tourist attractions and entertainment venues of a particular taxi-zone. In addition, police checks are carried out as a form of character reference and to prevent people with a criminal record from driving a cab. Regulatory responsibility and formal enforcement of taxi-cab rules and regulations, typically contained in Transport Acts, rests with the various transport authorities/departments or directorates in each State or Territory. Taxi-depots and service-bureaux fall under the jurisdiction of the latter government bureaucracies.

The operational characteristics of the Australian industry have been transformed from a historically high number of independent small-businesses, depots and cooperatives, to a much smaller number of capital-intensive and sophisticated communication networks. Nowadays, mainly large service-bureaux provide the technical infrastructure and support taxi-depots required to meet service demands from operator-assisted telephone bookings or computer generated self-service requests. In Australia’s bigger cities there are only a few major dispatch networks, covering populations of up to five million people, and spread out over an extensive geographical area. Networks like SilverTop Taxis in Melbourne, function as the main dispatch-centre for Victoria’s regional cities. SilverTop Taxi Management, for example, organises the GPS-dispatch to cabs in Bendigo and Geelong. Large service-bureaux, such as CCN in Sydney, and radio-networks in Darwin and Brisbane operate on a similar basis.

Since the mid-1980s, the composition of the fleets among Australian taxi operators has changed significantly. A liberalisation of the ownership regulations pertaining to taxi-cab licences has enabled a new breed of owners and operators to enter the industry in all States and Territories. As mentioned in chapter one, whereas most owner-operators owned the licence-plates and vehicle, and used to drive their taxi themselves, current licensing conditions allow for the assigning or leasing-out a cab-licence to a third party. Many absentee-landlords have entered the taxi industry—people who only have a financial interest in weekly returns on their investment and are speculating on the potential capital appreciation of their asset. The values of cab-
licences have escalated and have become attractive speculative assets—not unlike paintings, stamps and coins, race-horses, or wine collections. Anecdotal evidence suggests that some of the investments in cab-licences are a means for the laundering of proceeds of crime, or are part of a tax-minimising strategy.

Following the expansion of private motor vehicle ownership and rising prominence of alternative forms of mass transport, Australia’s taxi-industry has experienced its usual peaks and troughs throughout the last fifty years. As in many other areas and sectors of commercial enterprise, competition, intensified capital and infrastructure requirements, changed consumer needs, efficiency rationalisations and mergers, and governments’ regulatory laziness have created plenty of challenges as well as financial disappointments. The full deregulation of Australian taxi licences is still being debated and will (if passed by a State’s or federal parliament) have significant future consequences for each and every taxi owner and driver. The taxi-industry may not be able to shelter itself from global forces that drive rapid economic changes for much longer.

The vast majority of Australian taxi-drivers are people who, in some contractual form or another, only provide their labour and skills. As has already been flagged in chapter one (see Endnote 3), the main difference in the labour arrangements among cab-drivers is the use of a fixed rental—Method Two—contract in New South Wales. Even though Method Two arrangements are also used in Western Australia and to a lesser degree in Queensland, most drivers are contracted on the basis of bailment agreements that stipulate a ‘split-percentage-of-takings’ between owner-operators and bailee-drivers. The High Court’s decision to uphold the status of all types of bailee-drivers as non-employees continues to have the most significant impact on the social relationship between cabbies and their principals. Alternatively, the bailment arrangements are the single most significant reason why the ATO cannot hold anyone else but the drivers themselves accountable for paying their proper taxes.

The following section of this appendix will provide the locally specific environmental conditions in which the informants of the case-study operate. These local areas can be categorised as a competitive battlefield, comprising individuals for whom friendship and collegiality do not exist when it comes to plying for fares. Every State and Territory in Australia is divided into distinct geographical areas in which cabs and
drivers are authorised to operate. Accordingly, cab-licences have been put into place
to shield the authorised operators in a taxi-zone from outside competitors, and thus
monopolising the local industry to secure a viable opportunity to generate income for
every operator. Moreover, taxi-zoning protects the value of the limited number of
licences in an area. However, zoning also applies to drivers. Cabbies can only
operate within designated boundaries, and it is part of the conditions that transport
regulators enforce by means of infringement notices and monetary fines for those
found in breach. The case-study’s research sites, except for Darwin, share the above
zoning characteristics. The specific differences can be discerned from the following
description of each site.

**Geelong Zone:**
At the time of the focus-group interviews, the City of Greater Geelong (in the State of
Victoria) had a population of approximately 230,000 people who were serviced by
some 138 taxis. The total number of cabs within this urban taxi-zone used to be
divided between two accredited taxi-depots. *Geelong Radio Cabs Co-operative
Limited* controlled some 72 standard taxi-cabs and four Multi-Purpose Taxis (MPTs
or WATs—Wheelchair Accessible Transport). *Bay City Cabs* (BCC) controlled 66
standard cabs, as well as a number of limousines and 8 MPTs. *Bay City Cabs* is
owned by a family-trust (*Murrell Enterprises Pty. Ltd.*) which also operates about
twenty taxis in a number of neighbouring coastal townships.

The region’s economic infrastructure is a combination of agriculture, large industries
(for example, Shell Australia Refinery, Ford Motor Company, and Pilkington Glass)
and a number of smaller component and service-industries. The Geelong region is
becoming increasingly popular as the home-base for people who work in Melbourne
and commute daily between the two cities. Geelong also accommodates the
(founding) headquarters of Deakin University and has a number of research centres
pertaining to the wool and motor vehicle industries, as well as a strong CSIRO
presence and its diversified and highly specialised laboratory facilities. Taxi-licences
in Geelong carry their own conditions and operational limitations as to where cabbies
can travel. For example, Geelong-based taxi-drivers may take passengers to
Melbourne’s Crown Casino Entertainment Complex or to Tullamarine Airport.
However, Geelong cabbies can only collect passengers from these locations as
‘bespoken’ fares or when requested specifically by people who prefer a Geelong taxi
to take them to their destinations. Geelong cabbies cannot ply for fares in the Melbourne Metropolitan taxi zone. Similar rules exist for the zones of the main two coastal areas of the Greater Geelong Region.

*Geelong Radio Cabs* (GRC) is a Cooperative, consisting of some fifty individual owner-members who contribute collectively to the running of a taxi-depot. Members pay a monthly base-fee of around the $550.00 per vehicle and have a (refundable) holding in the shares of the Coop. The Coop’s dispatch-centre used to distribute the incoming requests for taxi services to its fleet of vehicles via a sophisticated radio-computer network. The depot is still responsible for conducting the Coop’s business activities, such as day-to-day management, administration, advertising/sponsorship, compliance with transport regulations, *et cetera*.

*Bay City Cabs* lost its authority to operate as an accredited depot, two years ago (2006). The Victorian Taxi and Tow-truck Directorate (VTTD) has been investigating the company for alleged fraud and breaches of licence conditions. The recently formed *Geelong Taxi Network* (a merger of Coop and Bay City’s fleets) and taxi-dispatch service (GPS) to the city’s general customers is now carried-out by *Silver Top Taxi Service Limited*, in Melbourne. Bay City Cabs’ vehicles and licences have since been leased to individual operators and bailee-drivers. MPTs or special-needs vehicles (WATs) are still organised locally (see [http://www.accc.gov.au/content/index.phtml/itemId/764968/fromItemId/751046](http://www.accc.gov.au/content/index.phtml/itemId/764968/fromItemId/751046)). The precise number of cab-drivers in the area is unknown. Estimates from from reliable industry sources and two directors of Geelong Radio Cabs Cooperative Limited, indicate that there are approximately 600 active cabbies in the region. Their personal connections to the Coop’s owner-drivers have, since the establishment of the new network and the merger of fleets, remained intact.

*Melbourne Metropolitan Zone:*

The Melbourne (Metropolitan) taxi-zone covers a significant area (roughly within a radius of 45 kilometres from the GPO) and services a passenger market of approximately 3.7 million people. Six main taxi companies—of which *Silver Tops Taxis* and *Black Cabs Combined* are the two largest accredited service bureaux—provide telephone and dispatch services to Melbourne’s fleet of taxis. The total number of licensed cabs (called Metro-Plates) that operate in the area is 3,507.
(including 206 Wheelchair Accessible Taxis). In addition, there are 525 Private Hire Vehicles\(^1\), 650 Restricted Hire Vehicles (for example, classic and vintage cars), and 1,050 Special Purpose Vehicles (weddings, funerals, tourist movers, and the like) operating in Victoria. The majority these vehicles operate in the Melbourne taxi-zone.

The value of a Melbourne Metro-Plate is around $340,000.00 and the lease/assignment fees for a single licence are approximately $24,000.00 per annum. Of the total number of taxi-licences in Melbourne, some 40% are held by owner-drivers whilst the balance (60%) are held by absentee landlords (investors) who have assigned a plate to a lessee-operator. According to industry figures\(^2\), the total estimated fare revenue (turnover) for Victoria’s taxis is $320 million and involves the execution of about one million fares over an average distance of ten kilometres per trip. The average fare in Melbourne is $18.80 (a little less than in Sydney and slightly more than in Brisbane. Of the total revenue of $320 million per year, 30% is generated from business customers; 53% comes from private persons; and 17% is contributed by visiting tourists (see [www.doi.vic.gov.au/](http://www.doi.vic.gov.au/)). More than 50% of all trips are generated from Melbourne’s telephone-market and are pre-booked through one of the accredited depots/service-bureaux. The balance of revenue is produced from ‘hails’ (street-market) and a largely unknown number of private bookings with the steadily expanding trunk-operators and other free-lancers in Melbourne’s taxi-market.

Victoria’s taxis, tow-trucks, limousines and hire-vehicles reside under the Department (Ministry) of Infrastructure (DOI) and are currently regulated/administered on a day-to-day basis by the Victorian Taxi and Tow-truck Directorate (VTTD), formerly known as the Victorian Taxi Directorate (VTD). The VTD’s operations commenced in 1994 and were the direct outcome of a number of government inquiries into the alleged corruption, inefficiency and non-transparencies pertaining to the taxi-industry whilst administered by the Road Traffic Authority (RTA). That same year the Victorian Liberal-National State Government announced extensive reforms to the taxi-industry in order to establish, in the words of the then Premier (Jeff Kennett), “A World-Class Service by the Year 2000!”

Recommendations from the 1993 *Victorian Parliamentary Crime Prevention Committee* gave the VTD the task of implementing a reform package aimed at developing a safer taxi-industry for both drivers and passengers (Curry 1995: 3;
Haines 1995: i-iv). The reform programme also involved things like the introduction of Victoria’s *Yellow Cabs* and the mandatory wearing of prescribed drivers’ uniforms; an upgraded training and accreditation programme for prospective drivers; a ban on smoking in cabs; stringent vehicle standards; and the installation of sophisticated security (audio/visual) devices in cabs.

According to data on the DOI/VTTD Web-sites, some 26,000 Driver’s Certificates (DCs) have been issued throughout the State and it is estimated that there are some 10,000 “active” cab-drivers (including owner-drivers) in Victoria, of which approximately 7,500 operate in the Melbourne Metropolitan taxi-zone. The average earnings for driving a cab under a contract of bailment (50/50 commission-split) is estimated to be a meagre $9.50 to $11.00 per hour (see Endnote 2). Following various taxi-industry reviews and submissions to the National Competition Commission (NCC) over the last decade, the Victorian Government has finalised a new licensing regime for taxis. Its plans involved the gradual diminishing of the number of existing taxi-plates that, on their own admission, are owned by people with little active involvement in the taxi-industry—the investors who receive substantive assignment fees and speculate on an on-going capital appreciation of their licences.

Victoria’s 2002 taxi-industry reforms can be aptly regarded as a series of compromises among the interests of existing licence-holders, taxi-workers and the NCC’s consumer-oriented demands for better (and possibly cheaper) services, which are underpinned by the *Federal Competition Principles Agreement* of 1995. Since May 2002 any new Victorian taxi-licence issued from that date can only be leased from the Government and can no longer be sold, transferred or assigned. The taxi and hire-car regulator (VTTD) determines the prices for the various types of new taxi-leases.

Reviews of the Victorian taxi-industry by the former Bracks Labor Government, brought to the fore a number of continuing problem areas. Issues like the lack of availability of taxis at busy times; poor returns to drivers and lessee-operators; non-transparencies in the dealing of licences and leases; and a lack of the government’s ability to monitor the performance of depots, were all recognised as in need of fixing and deserving top-priority. The most significant reform initiative in Victoria has been the government’s announcement to introduce 600 “Green-Top” taxis into the
Melbourne market over a period of six years (see Endnote 1). The first batch of these new “Peak-Service Licences” was released in January 2003. Green-Tops can only be leased from the Government for a fee of $5,000.00 per annum. They are restricted licences in the sense that Green-Tops can only operate between the hours of 15.00pm and 7.00am, and thus covering the peaks in the demand for taxi-services. A second batch was released in 2004. At least 50% of all Green-Tops have had to be allocated to “career drivers who have not previously owned a taxi-licence” whilst the balance has been allocated to existing taxi-owners and operators (VTTD Website 2004: www.doi.vic.gov.au/).

**Darwin (Northern Territory) Zone:**

Darwin is a City in the Northern-Central part of Australia, approximately three-and-a-half hours flying (North-West) from Brisbane. Often regarded as a frontier town and a place of refuge for people who are in strife with the law, Darwin is a popular holiday destination for tourists from Australia’s other States and Territories or for overseas visitors.

Its population comprises just over one hundred thousand people from all walks of life. Among Darwin’s residents is a considerable number of Indigenous Australians. Federal and Territory government instrumentalities; the armed forces; shipping and tourism; commerce, banking and small-business; and some large industrial enterprises (mining and energy exploration), are the major sources for employment and economic activities in the region. The city has undergone some dramatic changes since “Cyclone Tracey” destroyed many of the town’s buildings and houses in 1976, and is now showing the symptoms of a strong building boom. Major hotel and retail chains are focusing on Darwin as a worthwhile destination for their business expansion programmes. By the end of 2003, the railway line that connects Adelaide (via Alice Springs) and the Far-North was completed. The taxi-industry in Darwin can be likened to a seemingly closed fraternity that operates in an environment which is regularly invaded by unpredictable strangers who visit the town for various reasons. People keep to themselves as much as they can and visitors who ask too many questions are treated with suspicion (Darwin Visit 2003—notes). The fleeting relationships that many cabbies establish with their international and interstate passengers are, to a certain degree, replicated in the relationship that drivers have with their taxi-owners.
The cab-driver population in Darwin consists of predominantly males, as is the case in most other cities in Australia, and mainly people from Anglo-Saxon and immigrant backgrounds. Exact numbers of active drivers were not available. Nevertheless, informants told me that many have “moved-up from down south” and have re-established themselves as part of an adventure and escape from the colder Southern climate, whilst enjoying a far more relaxed life-style. During my 2003 (first-time) visit of the town, I became aware of the segregation between the indigenous population, and the mix of white (Caucasian), Indian and Asian taxi-drivers of Darwin. Racial tensions do exist and some drivers take great delight in telling racist jokes or sharing the horror stories about their experiences with Aboriginal passengers with fellow-drivers.

Taxi-owners, operators and their drivers are associated within the town’s four (including one very small operator of three taxis) independent depots that provide taxi services. One single entrepreneur and his staff control the largest depot—Darwin Radio Taxis. Of the total number of 138 taxis Darwin Radio Cabs services 99 cabs, including 2 MPTs (Multi-Purpose Taxis). According to my informants, the combination of licence deregulation and the introduction of the GST have changed the face of the local industry forever.

The Northern Territory’s taxi-industry holds a unique position in comparison with any of the other Australian regulatory regimes with regards to the licensing of taxis. The Territory’s Country-Liberal Party led government, (lead by the Chief-Minister—Denis Burke at the time) decided to deregulate the licensing of NT taxis. The plan involved the total recall and buy-back of all existing taxi-licences by the government. The financial compensation that was paid to all existing licence owners in Darwin was about $235,000.00 per licence. The newly introduced commercial passenger vehicle licences (CVLs) were subsequently made available to any interested parties and/or operators who now would lease their licence for a lease fee of $16,000.00 per annum. In broad terms, these new taxi-licences do not hold any intrinsic value per se and cannot be sold, resold, transferred or sub-leased to another party. Anyone who requests such a licence under this ‘as-of-right’ arrangement (of course, provided that the applicant is a fit and proper person) can operate a taxi in the NT. If taxi-operators wish to discontinue the lease, the CVL is handed back to the Transport Authority and restitution for the non-expired term of the licence is provided. Similar arrangements
are in place for other types of CVLs, such as minibuses, limousines, private hire vehicles (PHs), courtesy vehicles and special function vehicles. The instant effects of the initial deregulation of Darwin’s taxi-industry were quite considerable. The total number of cabs went from a total of 87 to 138 vehicles. Additional competition comes from the 44 registered Private Hire (PH) Vehicles in the Territory which have also been given rank-space at Darwin’s Airport and operate just like taxis, albeit at pre-arranged/set prices that are marginally above metered taxi fares. However, the licence fees (lease) for the latter category of passenger transport are significantly lower at $3,000 per annum\(^7\).

The significant increase in vehicles by some 59% since 1999 has caused the (gross) annual return per cab to drop considerably. Alternatively, the market’s demand for taxis has not increased to a level where annual average takings of taxi-owners and their drivers are the same as pre-deregulation. In addition, the costs involved in running a cab have gone up significantly, while fare-structures have not been revised to the same extent to cover increases in operational expenses (for example, fuel, maintenance, base-fees and insurance policies) and other CPI corrections. The introduction of the GST, moreover, has had a further cost-increasing effect on many aspects that are involved in running a small-business.

In summary, the combination of increased competition for market-share and shrinking profit margins have caused some new lessees to fall over and have created significant cash-flow problems for those who are still in business. The decline in profit-making potential has contributed to a rapid deterioration in both the skills and professional standards of drivers. Proper training is no longer provided and operators are taking all sorts of short-cuts to produce, at least, some rate of return on their investment in a vehicle and cover the recurring payments of their quarterly licence (lease) fees. The smaller depots, in particular, tend to employ anyone in order to keep their cars on the road, in order to survive. Furthermore, the enforcement of *Transport Acts, Taxi-Cab Rules* and *Passenger Safety Regulations* has diminished in this fully deregulated environment. Government is relying on the (anticipated) commercial forces for stronger self-regulation, and thus justifying its funding cuts to the *Motor-Vehicle Board of Registration’s* (MBR) enforcement team, and an overall decline in policies for better vehicle standards and consumer protection.
Sydney Metropolitan Zone:
The taxi-industry in New South Wales (NSW), and Sydney in particular, can be regarded as the most significant, influential, and powerful component of Australia’s private transport-industry sector. This can be explained in a number of ways. Firstly, this State has the greatest number of cab-licence in Australia. Moreover, Sydney’s cabbies provide taxi-services and operate in the biggest single city of Australia with a population in excess of 4.2 million people. There are approximately 5,750 registered taxi-cabs throughout NSW and the number of Driver Certificates (DCs) that have been issued to drivers is estimated to be about 22,000. There are approximately 120 NSW taxi-companies and cooperatives registered with the NSW Department of Transport (DoT). The combined depots employ an additional 1,000 people (estimate) who are involved in service-stations and fuel depots, mechanical work and panel-beating shops, telephone operators, management and ancillary workers such as clerical staff (2001 Industry Data - NSW Taxi Council – provided by John Bowe, 2003).

In the Metropolitan Zone itself there are some 4,750 licensed taxis (including WATs) and about 15,000 registered taxi-drivers (including owner-drivers and assignee-operators) who carry out an estimated 60 million passenger-journeys per annum\(^8\) (Bowe 2003). Sydney’s taxi-licences are fully regulated (that is, licences and tariffs) by the NSW government. The value of a Sydney Metro-Plate is around $295,000 (Cabbie Magazine: September 2003). According to data from the NSW Taxi Council, experienced drivers—and night-shift drivers, in particular—are in short supply and the industry has been “doing it tough in the current economic climate”, that is, since the introduction of the GST (Bowe 2003).

Secondly, the largest taxi-depot in Australia is situated in Sydney. The number of cabs comprises approximately 2,650 registered taxi-licences (including WATs) and are controlled by a small number of multi-licence owners and some larger fleet-operators who are in direct competition with the much smaller, individual owner-operators. Following the 2001/2002 spell of mergers and take-overs, Combined Communication Network (CCN) now accounts for some 65% of all taxi movements and computer-radio dispatch activities in Sydney alone. This communication network entity and taxi-service bureau (CCN Bureau Fleet) is a fully owned subsidiary and
independent working company of the Australian-based CabCharge organisation (Cabbie Magazine: November 2003:7).

Thirdly, the major shareholders of CabCharge are situated in Sydney. The company has been listed publicly on the Australian (Sydney) Stock Exchange (ASX) and its major activity is providing credit facilities and honouring of ‘CabCharge docket’ cards. As a licensed clearance-house, it provides the administration for credit-card payments and other electronic financial transactions that take place in cabs through their EFTPOS terminals. Furthermore, the organisation now owns and controls a number of the major computerised taxi-dispatch networks nationally. Other than controlling Sydney’s CCN organisation, CabCharge has close commercial interests and reciprocal financial arrangements with a majority of taxi-depots throughout Australia. In 2003 it purchased one of the major depots (Black & Yellow Cabs) in Melbourne, as well as completed some significant mergers and acquisitions in Scotland, the United Kingdom (London), Singapore, and Austria (Bowe 2003).

Reg Kermode—who is CabCharge’s Managing Director (and one of its major private shareholders)—is regarded as an “institution” throughout both the NSW and national taxi-industry. As the parent company of CCN, CabCharge now controls effectively the financial and technical infrastructure pertaining to sixty per cent of Sydney’s cabs. The voice and power of the various big depots filter through into the ATIA’s lobby, which is regarded as representing the national taxi-industry on all its levels (including drivers) in negotiations with the Federal and State governments (Bowe 2002 and 2003). As will be discussed in chapter four, the concentration of power (both economic and political) is widely recognised and feared throughout the industry, and regularly referred to by Sydney’s cabbies as the “Taxi-Mafia” (see Cabbie Magazine September 2003).

Fourthly, and from a tax-compliance and regulatory perspective, Sydney cabbies take a special position in the overall compliance debate, following the introduction of the New Tax System and the ATO’s subsequent tax enforcement strategies. This can be partly explained in the sense that the original test-case on drivers’ (legal) employment status was brought before the Federal Court of Australia (in NSW) and had been orchestrated with the full cooperation of the ATIA’s (national) headquarters. As discussed in chapter two, Sydney’s cabbies drive under (State) regulatory
conditions and a regime of industrial relations that is quite unique in comparison to Australia’s other States and Territories.

The vast majority of Sydney’s bailee-drivers (98% according to my informants) are remunerated on the basis of so-called Method Two pay-in arrangement. As far as their secondary entitlements are concerned, Sydney cabbies (under both methods) are protected by WorkCover (workers’ compensation insurance) and full-time bailee-drivers have, at least nominally, entitlements to paid annual leave, sick-leave and long-service leave. However, receiving these secondary entitlements is often fraught with difficulties and many drivers have had to bring their claims before the State’s industrial arbitrator (IRC).

In summary, these significant structural variables and contrasting differences with other States and Territories provide some interesting comparative angles to the analysis of tax-compliance behaviours of Sydney’s taxi-operators and their drivers. The most interesting aspect is the inherent opportunities for non-compliance that Method Two brings about, which will be highlighted in chapters four and five. This is so because the recording of individual fares and metered-takings during a shift are chiefly irrelevant, and thus do not leave any paper-trail that is accessible to auditors from the ATO. The taxi-owner/operator, while receiving a fixed pay-in, only has the (legally enforceable) obligation to issue contract-drivers with a proper GST invoice. Consequently, Method Two drivers are also not under any surveillance from the owner to prevent fiddling with the cab’s takings because they are on a commission-split arrangement.

Faced with this on-going regulatory dilemma, the ATO has renewed its attempts for changes to the method and bailment conditions for Sydney’s taxi-drivers. In 2003, there were rumours floating around among Sydney’s cabbies that the ATO was again “negotiating a deal with the ATIA” (Sydney focus-group). The suggestion was to link the radio-computer, taxi-meter, and EFTPOS terminal, to a valid ABN and BAS registration process. By creating access to an interfaced, electronic registration of the taxi’s key-data, the ATO is then also able to increase both its proximity and further refine its intelligence about the industry’s main operational ratios and financial output. This would assist them in allocating tax liabilities with far greater accuracy. However, no further progress has been made and Method Two is alive and well.
**Brisbane Metropolitan Zone:**

Brisbane is the capital city of Queensland and has a population of about 1.5 million people. Taxi-services in the Brisbane taxi-zone are provided by a fleet of some 1,688 vehicles\(^9\), divided mainly between two major accredited taxi-companies—*Black & White Cabs* and *Yellow Cabs*. In contrast, the Gold Coast taxi-zone comprises a population of about 450,000 people (growing to approximately 600,000 in the main holiday season) which is serviced by a fleet of 235 cabs and an even greater number of 245 limousines.

A taxi-licence in Brisbane is worth about $320,000 (approximately $775,000 on the Gold Coast) and a steadily growing number of licences (rumoured to be as high as 80%) is leased since the restrictions on the assignment of Queensland licences were abolished in 1994. The assigned licences return around $2,000 per month (approximately $3,000 per month on the Gold Coast). Like the industry’s developments in other States, the number of small owner-drivers is dwindling and the phenomenon of the large fleet-operators (managing a parcel of cab-licences) is now also prominent in Brisbane’s taxi-industry. The city’s taxi-depots have chiefly turned into service-bureaux.

It is estimated that there are some 5,500 active cabbies in Brisbane (approximately 10,000 throughout the State) including owner-operators. Union-membership (Transport Workers Union) among Brisbane drivers (including the Gold Coast) is almost negligible. The Queensland Taxi-Drivers’ Association (QTDA) claims to have a membership of 1,400 throughout Queensland. The two major taxi-companies in Brisbane both use standardised contracts of bailment for their drivers, and charge them similar levies for vehicle insurance premiums and workers compensation arrangements. It is interesting to note that in the documents that were used in the Federal Court’s test-case (FCA 840, 1997) it was suggested that about fifty percent of the bailment agreements in Queensland were on the basis on a fixed pay-in (Method Two). Over recent years, however, most contracted taxi-drivers have seen their commission-split drop from a fifty/fifty arrangement to effectively a 42% take (that is, after paying half the fuel-LPG gas-bill and insurance levies on each shift).

Pending demands by the National Competition Commission to make Australia’s passenger transport more competitive, Queensland’s transport regulators have also
started to *quasi*-deregulate the Private Hire-Vehicle/Limousine sector. The State government has formally announced its intentions not to deregulate the licensing of standard taxis. In response to the increased competition from private hire-vehicles and limousines, Brisbane’s *Black & White Cabs* now also offer a Silver Service arrangement. This service provides an upgraded category of vehicles and an improved standard of drivers (mainly owner-drivers) to meet the demands from a niche-market.

Like in all other States and Territories, Brisbane’s regular street-cabbies have few financial entitlements, poor secondary working conditions and little job (industrial) protection. The vast majority of drivers work on the basis of a split-commission and only some drivers (bailing the taxi for the duration of a whole week-end) may have a set pay-in arrangement. Considering the substantive number of people that attend taxi-driving courses (compulsory) in order to obtain their Queensland Drivers Authority (DA), the turnover in drivers is estimated to be high (QTDA).

Under pressure from the TWU and the QTDA, the Queensland State Government (Ministry of Industrial Relations) authorised an inquiry into the remuneration and benefits of taxi-drivers some years ago (November 2000). The Committee lodged its findings and made some strong recommendations for improvements to the responsible ministers in August 2001. The actual implementation of the report’s main suggestions, however, has been caught up in a political wrangling and power struggle. The QTDA has been lobbying the government heavily for the last six years to increase safety measures in taxi-cabs and since a number of deaths and a range of violent assaults on Brisbane cabbies throughout 2003, in particular. The main issues centred on who is actually responsible for providing the Occupational Health & Safety (OH&S) measures for taxi-workers and who is going to pay for the cameras (photo/video) in cabs. Most taxis in Queensland have now been fitted with cameras.

The Brisbane interview data have reflected a strong resentment and frustrations that informants had towards a political system, which was seen to use taxi-drivers as pawns and cannon fodder in a game of strategic, electoral positioning and its perceived cover-ups. Nepotism and the overt protection of dominant industry interests still rules. According to these cabbies, there are too many Government officials and (retired) bureaucrats who own taxi-licences themselves and will never
rock the boat in any shape or form. The QTDA still exists but has lost a number of its most committed activists in 2007.

The above details have described the different environments of the informants to the case-study. These data have been supplied to facilitate the broader contexts in which cabbies operate. It may enable the reader to view the industry from a different light.
APPENDIX 2

INFORMED CONSENT STATEMENT
(To Be Retained By Participants)

TAXING Taxis:
LIMITS AND POSSIBILITIES IN REGULATING THE TAX COMPLIANCE BEHAVIOUR OF MARGINALISED TAXI WORKERS—A CASE STUDY OF TWO COUNTRIES.

Introduction
Before agreeing to participate in the above mentioned research project, it is important that you understand a number of aspects of this particular study. These aspects comprise the following elements:

• ethical clearance
• purpose of the study;
• procedures to be followed;
• potential risks and benefits;
• rights of participants; and
• measures to ensure confidentiality.

In the following sections of this form, each of the aspects will be explained in more detail.

Ethical Clearance
This study has been cleared by the Behavioural & Social Sciences Ethical Review Committee of the University of Queensland (St. Lucia Campus), in accordance with National Health and Medical Research Council guidelines. If you would like to speak to an authorised officer at the University of Queensland who is NOT involved in this study, you may contact the designated Ethics Officer on telephone number: 07-33653924.

Purpose of the Study
The general aim of this study is to compare and contrast work practices of taxi-drivers from Australia and The Netherlands (Holland). In particular, I want to explore whether there
are similarities and differences in the taxi industry and the job of driving itself that may impact upon tax compliance or tax cheating, between these two countries. I would like you to tell me about your experiences in Australia, and share your insights as to what you think is going on here. Please note that this study has NO Australian Tax Office (ATO) involvement, whatsoever.

The main difference between taxi-drivers from Australia and Holland is that most (contracted) drivers in Australia are regarded as Bailees (independent contractors), whereas drivers in Holland are regarded and treated legally as Employees. As such, these employed taxi-drivers have access to the full range of employee benefits that exist in Holland.

Furthermore, whereas in Australia taxi-drivers are responsible for collecting and remitting the Goods and Services Tax (G&ST) to the Australian Tax Office by means of completing a Business Activity Statement (BAS) at regular intervals, for drivers in Holland these procedures are the responsibility of their employer/taxi-owner. This current study concentrates on income tax in general and Australia’s G&ST requirements for taxi-drivers, in particular.

**Procedures**

The study will involve your participation in a focus-group interview. The focus-group may comprise between six (6) and ten (10) participants and will mainly contain taxi-drivers, assignees and/or taxi-owners, as well as other persons associated with the taxi-industry. The identity of participants will not be disclosed to anyone outside the focus-group and all participants have a right to remain anonymous, use an ‘alias’ and/or discuss issues, for example, on a “first-name-only” basis. All participants must agree to a confidentiality undertaking prior to the interview, and are bound not discuss any of the issues that arise during and/or from the group-interview with any third party, outside their focus-group.

The focus-group interviews will be moderated by the principal researcher and will last approximately 60 to 90 minutes each. Since I have driven (part-time night shifts) a taxi myself for more than seven years (until 2001), the topics that will be discussed in the focus-group will mainly reflect ‘lived experiences’ and thus be rather non-theoretical, but more practical in orientation. The interviews will be recorded on audio tape/disc, which are to be used for transcription purposes only and will be destroyed upon completion of the study.

**Potential Risks and Benefits**

There appear to be no immediate health or personal risks for the participants of this study. However, some people may become uncomfortable answering questions or sharing information about their financial affairs and/or other private matters. Should this occur during the focus-group interview, you have the right to skip the question and remain silent, or decide to discontinue the interview and withdraw your consent for participation. In that case your
participation will immediately cease and any prior information obtained from the participant will be deleted and **NOT** be used in the study.

This study is not subject to any third-party research grant nor has any direct commercial/financial interests/benefits, for the principal researcher. There are also no financial and/or other commercial benefits to be obtained for you, by participating in this study.

**Your Rights**

Participation in this study is totally voluntary. If you choose to participate, you may decide to withdraw at any time. There are no negative consequences for you, if you decide not to take part in this study. Should any concerns or queries arise during this study, you have the right to contact:

- the principal investigator, Mr. Maarten Rothengatter, on (07) 33661438 or on Mobile 0411-016396;
- the investigator’s supervisor/study advisor, Dr. Jim McKay, on (07) 33652204; or
- the designated Ethics Officer at the University of Queensland, on (07) 33653924.

**Confidentiality**

The information gathered during the focus-group interviews will be considered as the data for this study. Responses will be kept completely anonymous and no identifying information will be revealed to any third party. Transcripts of the audio recording will also provide each participant with an ‘alias’.

All research materials and data collected will be secured in a locked filing cabinet, to which only the principal investigator has access. Anyone who assists the principal investigator with the interpretation of the data will be required to sign a confidentiality statement form.

Data will not be made public in any form that could ever reveal the (individual) identity of any of the participants. However, the anonymous, aggregated data may be used for further research and/or publication(s) in Scientific Journals and/or general Academic Publications, e.g., books and manuscripts. Moreover, full anonymity of participants will be maintained on every occasion.

Thank you for making your time available and your expression of interest to participate in this study. Your knowledge, personal experiences and insights are extremely valuable and appreciated tremendously.
I look forward to meeting you in the near future, at one of the forthcoming focus-group interviews.

Yours faithfully,

Maarten R. Rothengatter
(Principal Researcher)

School of Social Sciences (Sociology/Criminology)
University of Queensland
(St. Lucia Campus)
BRISBANE (QLD) 4072.
CONSENT FORM

(To Be Completed by Each Focus-Group Participant and Prior to the Interview)

I, by ticking the box below, hereby consent to participate in a focus-group discussion that is part of the Doctoral (Ph.D.) Research Program (University of Queensland) of Mr. Maarten R. Rothengatter, who is the principal researcher of this study and will be the moderator during the focus-group interview(s).

I acknowledge, undertake and/or agree to the following:

• that I have received, read and fully understood the contents of the “Informed Consent Form”, which details the main aspects and procedures of this study;
• that there are no third parties with any financial and/or other commercial interest involved in this study. My participation, therefore, is voluntary and I will not be entitled to, or able to claim any form of compensation (financial or in kind) for my participation, from either the researcher(s) or the University;
• that the study is carried out to gain a fuller, comparative understanding of the operations of the Australian taxi-industry and general issues pertaining to regulations and tax-compliance in Australia, with a particular focus on the Goods and Services Tax (GST);
• that any information that I provide will NOT be made public in any form which could reveal my identity to any outside party, i.e., that I will remain fully anonymous;
• that the aggregate data from this study may be used (maintaining full anonymity) for further research purposes and/or may be reported in (Social) Scientific Journals, or can be used in other forms of Academic Publication(s);
• that I am free to withdraw my consent at any time during the focus-group interview(s)/sessions, in which event my participation in the study will immediately cease and any information obtained from me will not be used and;
• that I will NOT communicate or in any other manner disclose publicly any information discussed during the course of the focus-group session. I further agree not to talk about any material relating to this study and/or focus-group discussion, with anyone outside of my fellow focus-group members and the researcher(s)/moderator.

(Please tick the box to express your acceptance/consent and participation.)

Date:…../…../…..; Place:......................................................
In order to obtain a general profile of the participants in the focus groups, could you please complete/circle/tick the following questions/points:

1). Your Age is …….Years.

2). Your Gender is Male/Female.

3). Your Marital Status is Married/Single/Divorced/De Facto Relationship

4). Your Ethnic Background is Australian/United Kingdom/Other………………..(Please Describe).

5). You are a Taxi: Owner/Assignee/Contracted (Bailee) Driver/ Other:……………………..(Please Describe).

6). Experience in the Taxi Industry:……………Years……………Months.

7). Please name/describe the various occupations/professions you have been involved in, prior to your taxi driving/career, or association with the taxi industry.

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Thank you for providing this anonymous information.
Dear Focus-Group Participant,

May I ask you to spend a few moments of your time to provide some feed-back from the focus-group session in which you have participated? This will enable me to not only improve my research- and interview skills, but also give you the opportunity to express comments, or elaborate upon particular issues or valuable experiences and viewpoints you may hold, which you did not want to share within the group during the actual interview session. Please note that this information will also be treated as confidential and be assured, once again, that you will remain fully anonymous.

Could you please complete this form immediately following the focus-group session and hand it back to me. (You can use the back of this form, should require more additional space for any of the questions.)

1. Were there any specific issues discussed during the session, which (in your opinion) some or all of the participants ‘exaggerated’, and/or were not entirely forthright and/or honest about? If so, please describe/give details.

2. Were there any issues/topics that were not raised during this session, which you would have liked to have seen discussed and/or given more attention? If so, please describe/give details.

3. Overall, how serious a ‘problem’ do you consider TAX NON-COMPLIANCE in the taxi-industry to be? What, in your opinion, are the main issues at stake and what could provide some sustainable and/or fair(er) solution(s) for the problem(s)?
4. Are there any other issues you want to raise now?

If you:
• would like to discuss any other matters with the principal researcher(s);
• would like to receive some feedback on the comparative research;
• are available for a follow-up telephone call for additional clarification; or
• want to be contacted by the principal supervisor of this study, or the Ethics Officer at University of Queensland,

Please print/provide your **contacting details**, e.g., first name, address and phone number(s) below, and circle one or more of the above options/requests:

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Thank you, once again, for your involvement and contributions to this study.

**Maarten Rothengatter**

(Principal Researcher)
APPENDIX 3

INTERVIEW -- ATO TAXI-PROJECT MANAGER

• Briefly summarise the research topic and specific research question.

• Explain the purpose of the interview.

• Check the brief history of the taxi-project (i.e., Cash Economy Task Force – Increased audits - BISEPS - Enforcement Pyramid – High Court Challenge?

Specific Questions:

1) Which salient factors contribute primarily to the relative poor tax-compliance record, behaviours and practices of the Australian Taxi Industry? (Regulator’s perspective).

Probes: - Is the rumoured 78% relating to total non-compliance or partial non-compliance?
- Does the non-compliance apply to owners/operators and ‘independent contractor’ drivers across the board? Ratios?
- Does the non-compliance refer to both GST and PAYE?

2) What kinds of options in order to improve voluntary compliance were considered before the “New System” for taxi-drivers was introduced? Why was the compulsory ABN/BAS scenario selected, ultimately?

3) What are (from your perspective and if any) the links between tax non-compliance and other government rules, regulations, legislation? (e.g., regulation of taxi-licences, Industrial Relations Acts, WorkCover?)

4) Given the opportunity to address Michael Carmody and/or Peter Costello with some suggestions and advice for the taxi-industry during a private briefing, what would you (as a professional tax-administrator) tell them?
5) What kind of specific measures could indeed make some significant improvements to the (more “voluntary”) compliance from contracted drivers, in particular?

6) Is there anything else you would like to raise about the issues we have discussed?

Close Interview.
Moderator’s Guidelines for the Taxi Focus-Group Interviews

INTRODUCTION:

Welcome everyone, to this focus-group interview session, AND a big thank you for your willingness to participate in this research project.

Before we will get into the ‘nitty-gritty’ of the topic, I would like to just briefly recap what this study is about.

As detailed in your “Letter of Informed Consent”, this research project is about similarities and differences between Australian and Dutch taxi-drivers.

In particular, I want to explore whether there are similarities and differences in the taxi industry AND the job of driving itself that may impact upon tax compliance or tax cheating, between these two countries. I’d like us to discuss this today.

I would like you to tell me about your experiences in Australia, and share your insights as to what you think is going on here.

For example, are there any stories or incidents that come to mind about the payment of taxes? This might be something that happened to you, or to a friend, or something anecdotal you heard about - “off the ranks”.

Does anyone have any questions or comments, at this stage??

(And by the way, I would like to re-assure you, once again, about protecting your full anonymity in respect of our focus-group discussion.)
FOCUS-GROUP QUESTIONS:

Perhaps we can start the discussion, by asking each of you to introduce yourself (Use your “ALIAS” or fist-name-only) quickly to the group, and give a brief summary/description of what you “do” or what your “involvement” in the taxi industry is?

(Bailee? Owner- Driver? Assignee? Absent Landlord? Depot Officer/Manager? Member of The Board of Directors? Government Representative?)

This could be followed by a brief summary of your thoughts on matters such as:
1) How did you get involved in the taxi-industry?
2) What do your family and friends think and/or feel about the kind of work you do?
3) What are the things that you LIKE most about the taxi-industry?
4) What are the aspects that you DISLIKE most and/or find most difficult to cope with or accept about the taxi-industry?
5) For how long do you intend to do this type of work?
6) In general terms, how would you “characterise” the ‘taxi-industry as a whole’?

(Allow 15-20 minutes maximum)

Thank you for your telling us a little bit about yourself and your answers on those general questions. In the next phase of our discussion, I would like to become a little more specific about taxation, tax-compliance measures and non-compliant behaviours – the main topic of my research project.
1) How do you feel about the ways that the Government and the ATO are treating taxi drivers?
2) What do you think, or how do feel, about the “often-talked-about” existence of a “cash-economy” and what role(s) does it really play in the taxi-industry?
3) How were you, and who told you about acceptable/normal tax compliance procedures in the taxi-industry?
4) What role(s) and/or influence(s) (IF ANY?) do the Tax Office itself, or (commercial) Tax Agents, or the Australian Taxi Industry Association play and have in drivers’ compliance norms, attitudes and behaviours, from your perspective?
Thank you for sharing your thoughts and perceptions about these more specific issues. In the last section of the focus-group interview, I would like to ask you about your own compliant and/or non-compliant behaviour. This can be followed by a concluding statement and/or suggestions that you may wish to make, in order to bring about change and possible improvements, or increase your perceptions of fairness of the tax system.

(Here I would give the participants my version of the problems and possible solutions for improvements of BOTH tax compliance AND working conditions for Cabbies. I give them the main differences between Dutch and Australian taxi drivers, i.e., Bailee/Employee and different the industry structures)

1) What difference(s) has the introduction (2000) of the ABN/BAS lodgement and PAYG system made to your own compliance behaviour?
2) What influence(s) do the low levels of financial reward and/or poor ‘secondary working conditions’ (e.g., no entitlement to Superannuation, Holiday Pay/Long Service Leave, etc.) within the taxi-industry, have on your actual tax-compliance/non-compliance behaviour?
3) Is your compliance behaviour influenced and/or dependent on a ‘reciprocal’ relationship or ‘mutual understanding’ (COLLUSION?) with the owner(s) of the taxi? Your Accountant? Both?

HYPOTHETICAL SCENARIO
4) If you were given an opportunity to tell Australia’s Treasurer or Commissioner of Taxation, IN ONE MINUTE, what you think about the “New Tax System” and what “should be done for taxi drivers” – What would you say to them?

(Allow 30-35 minutes maximum)

Close the Session.
Make participants complete the Focus-Group Interview Evaluation form.
APPENDIX 4

April, 2003.

Dear Sydney Cabbies,

As a researcher (Ph.D. Candidate) at the University of Queensland and ex-cabbie (7 years night-shift driver), I would like to invite you to participate in a Focus-Group interview to be held in Sydney, some time in May of this year. The general aim of my study is to compare and contrast tax-compliance features and activities (with particular focus on the Goods and Services Tax – the G&ST or VAT in European countries) that exist within the taxi-industry and among groups of taxi-drivers from Australia and The Netherlands (Holland).

In particular, I want to explore whether there are similarities and differences in the taxi industry AND the job of driving itself that may impact upon tax compliance or tax cheating, within Australia and between the two countries.

I would like you to tell me about your experiences in Sydney, and share your invaluable insights as to what you think is going on here. For example, are there any stories or incidents that come to mind about the payment of taxes and GST? This might be something that happened to you, or to a friend, or something anecdotal you heard about - "on and off-the-ranks", of course!

Focus-Groups comprise drivers, owner-drivers and/or assignee-drivers, and consist of between 6 to 10 people, maximum. Ideally, I would like to interview one group with day-shift cabbies and one group with night-shift drivers. The focus-group interviews will be set-up in such a way that secures your total and guaranteed anonymity.

If you are interested in participating, could you please complete the section on the reverse side of this letter and either return the slip to Mr. XXXX or phone him on: 0419-XXXXXX, so we can provide you with the details of dates and venues, in due course. Alternatively, you may return the slip to me directly at the address below and/or contact me on: 0411-016396.

Yours faithfully,

Maarten R. Rothengatter
(Principal Researcher)
School of Social Sciences (Sociology/Criminology)
University of Queensland
(St. Lucia Campus)
BRISBANE (QLD) 4072.

A/Prof. James McKay
(Principal Advisor)
(Please Cut Here and Return, or Advise By Phone)

Name:......................................................................................................................

Contact Address:.....................................................................................................

Contact/Phone Number/E-mail Address:.................................................................

Preferred Day of the Week/Time and/or Location:...................................................

Signed:.................................................................
Endnotes to Appendix 1:

1 The vast majority (my estimate is 75%) of the 525 Private Hire-Vehicles (Luxury Sedans and Limousines) that operate throughout Victoria work the Melbourne Metropolitan Area, CBD hotels and Melbourne Airport, in particular. The Victorian Government announced its reform package for the taxi and hire-vehicle industry in May 2002, in view of its commitments under the National Competition Policy (1995 Competition Principles Agreement with the Federal Government). It has decided not to deregulate on the basis of a 1996 (and industry-sponsored!) study by Professor Paul Dempsey and Price-Waterhouse (Coopers) studies of some 21 overseas countries on the negative effects of the full (economic) deregulation of their respective taxi-industries. Compensation to Victorian taxi licence-holders could arguably cost the State Government in excess of one billion dollars, if it was to introduce an open-entry policy. Instead the Victorian Government has re-regulated entry into the Hire-Vehicle market (similar to its South-Australian counterparts) by abolishing the “public interest” test. That is, providing proof by the applicant “that there was an immediate market to services not already served by a taxi- or other hire-car operator”. Hire-vehicle licences can now be purchased from the Victorian Government for a one-off fee of $66,000.00 (including G&ST) and has virtually stopped the trading in plates from existing licence-holders. Reforms to the trading of taxi-licences have been announced to come into effect by the middle of 2004. In order to establish traders’ accreditation and transparency in the values of both taxi-licences and their annual assignment/lease fees, an independent body—the Bendigo Stock Exchange—has been appointed to administer all activities of brokers/dealers in taxi-licenses. This open-trade in licences and assignments only applies to existing taxi-licences that have been issued prior to May 2002. Any taxi-licence that has been issued after May, 2002 can only be leased from the Victorian Government and cannot be sold and/or be assigned to any third party (See the VTTD’s and links between DOI web-sites on www.doi.vic.gov.au/doi/internet/transport.nsf/).

2 Figures that have been supplied by the National and State/Territory based Taxi Industry Associations and Taxi Councils are generally regarded as suspect, rather imprecise, or notoriously conservative estimates. The main reason for this (and in a twist of irony) lies in the fact that many operators, on whose estimates these ‘official’ industry-figures are based, will only declare their significant proportion of revenue that is part of the industry’s substantive cash-economy. Of course, the same applies to estimates of the average drivers’ hourly rate of income ($9.00 -$11.00) which are often used purposively in submissions to Government to justify fare-increases or revision/ arbitration in the income of drivers before an Industrial Relations Commission. According to one participant, who has done some research on the total sales/turnover of the taxi-industry (Nationally estimated to be some $2.4 billion nowadays), the amount of lost GST revenue from bailee-drivers alone could be as high as $120 million per year. The mentioned values in this thesis represent 2003 data and estimates.

3 The total number of 26,000 DCs currently on issue includes ‘Driver’s Authorisations’ that are applicable to bus-drivers. It should also be noted that people who have obtained their DC many years ago, keep renewing it every three years in order to retain the endorsement to their standard driver’s licence, even though they may not have driven a cab for a long time. Obtaining a DC nowadays involves the successful completion of the compulsory Victorian Taxi-Operator Training Course, comprising 90 hours of TAFE-like instruction and the successful completion of various taxi-modules (the full course costing approximately $1,000.00) at one of the three accredited training providers.

5 This agreement between the States/Territories and the Federal Government was initiated by the Keating (Labour) Government and involves funding arrangements that are based upon making Australian industries more competitive to participate successfully in a rapidly expanding global economy. States/Territories can only maintain their strict regulation of particular industries if they can substantiate that (a) deregulation would contravene other and already existing legislation and/or (b) would be against or seriously jeopardise the public interest. None of the States/Territories (other than the Northern Territory) have fully deregulated their taxi-industry, but all have opted for some form of re-regulation or another.

6 Applicants will have to demonstrate their credentials and will be subject to some police and other national security checks. Prospective operators will also be required to complete the “Taxicare Taxi-operator Training Course”, including instruction on the preparation of financial records and submission of their Business Activity Statements, of course. The initial reception of the Green Tops has been met...
with some cynicism among some of Melbourne’s bailee-drivers. According to the VTDA and based on the current earnings of taxi-workers “a bloke who has been ‘driving a taxi full-time’ [i.e., five to six shifts per week] for five years, he couldn’t buy the back-wheel of one of them Green-Tops, right?”

7 The newly appointed Commercial Passenger Vehicle Board is currently in the process of phasing-in new tariffs and lease conditions for all sectors/categories of the Commercial Passenger Vehicle Industry. The target date for the introduction of its recommendations is set for 1st of August 2003. For a detailed overview of the new licence terms and conditions, see the following Website: www.nt.gov.au/ipe/dtw/publications/roadtransport/commercialpassenge.../legislation.shtm

The Board has also been given certain powers in respect of the training of taxi-drivers and determining the ‘fit and proper’ standards for both drivers/operators and taxi-depots. Most significantly, the government has decided to “cap” the number of licences in Darwin and Alice Springs. These will be set at “1 per 900 Estimated Resident Population (ERP) for the Darwin and Alice Springs statistical areas, defined by the Australian Bureau of Statistics”. In short, a complete form of re-regulation, which may be regarded as a defeat of the government’s original intentions that were guided by the National Competition Policy, and a re-adjustment to the commercial reality of a too rigorous form of deregulation.

8 According to industry (A.T.I.A.) sources, there are some 180 million passenger-journeys per annum carried out throughout Australia. A passenger-journey, or taxi-trip, contains 1.8 passengers per trip. It is estimated that the total turnover of the Australian national taxi-industry is somewhere between $1.75 Billion and $2.25 Billion per annum. On those figures NSW/Sydney’s taxis generate approximately one-third of the national figures.

9 According to the Government appointed Committee which completed (in 2000) the “NCP Review of the Transport Operations (Passenger Transport) Act 1994”, the number of taxi-licences for the whole of Queensland is 3,062 providing collectively an estimated 60 million passenger trips per annum. In the same report the Review Committee states that 2,790 taxis operate in 104 cities (presumably excluding the Wheelchair Accessible Taxis or WATs) and that there are more than 12,000 driver ‘authorisations’ granted throughout the State. Brisbane, according to this report has 1,589 standard taxis and 99 WATs. Like in most other States and Territories, precise data about the numbers of taxi-cab vehicles and active drivers are hard to obtain. They often depend on the figures that various taxi councils or transport consultants have provided, or are estimates and presumptions that have been based upon certain vague (average) national ratios. The Queensland State Government has committed itself NOT to deregulate the State’s taxi-industry, against the recommendations of the National Competition Council and faces the possibility of (financial) sanctions from the Federal Government under its funding arrangements with the States and Territories for further details see www.transport.qld.gov/public).

10 The type of arrangement that is referred to here is also known as a hungry shift or weekend single-shift and has some similarities with the arrangements that apply to most Sydney taxi-drivers. The cab is bailed to a casual driver (who sometimes would have already completed a ‘normal week-job’) from, for example, Friday 4.00 PM to Monday 4.00 AM when the regular day-driver starts his weekly shifts again. Many “hungry” (casual) drivers have no other commitment to the taxi-industry than to make as much additional income as they can, without declaring that income for income-tax purposes. The lessee companies (leasing licences) attempt to have their cabs out-on-the-road on a 24/7 basis, in order to cover their overheads/costs and maximise returns. According to the QTDA, the set pay-in for this type of arrangement is approximately $470.00 for the total shift and some casuals work over a period of some 60-70 hours with very little sleep. Following heavy lobbying by the QTDA, the two taxi-companies in Brisbane have recently introduced a system where the Computer Dispatch Terminal is switched off, after a driver has been logged into the radio-computer system for more than 16 hours. As a precaution and in order to minimise OH&S exposure, drivers must now somehow take a break for eight hours in every twenty-four hour period. It is not exactly known how effective the new safety measure is, nor to what extent it can be fiddled with.
4. Serving Investors—Cabbies’ Resistance To Change: Insights From The Focus-Groups

I got into the industry in the seventies as a weekend-driver to supplement my teaching salary, which wasn’t much. And, in those days, I used to double my teaching salary in just a weekend. With a 50/50 split, and within two years, I bought my own taxi. I thought: this is a good lurk, doing this! You know, you can buy things, and you can, you know, swap figures around. You buy your wife a battery for her car and you lump it on the taxi. Who’s to know? That’s the beauty! And for about twenty-odd years I used to just do weekends, and whatever I needed, I would work for it. If I didn’t need any money, I didn’t work—I just locked it up! In the old days it was very easy to get into it—to own a licence. These days it’s very hard to own a licence. That’s what I find disturbing. Before you could just go to the bank and they would give you ten thousand dollars. I wanted to buy a refrigerator, so I bought a taxi instead. I had to do things like that, because I had no cash. But I always had cash coming in during the weekend! (‘Prof’—owner-driver—Melbourne)

This chapter will offer an analysis of the focus-group interviews. The analysis is rooted in a methodological approach which presumes that tax-compliance behaviour (as well as other forms of social and economic behaviour) is embedded in social relations.

The concept of embeddedness—and by extension mixed-embeddedness—will be used as a heuristic device to elucidate the complex dynamics and processes on this intermediate level of sub-cultural forces that are located and operate within cabbies’ social networks¹. Moreover, the primary aim of an analysis of the study’s qualitative data is to demonstrate how different social relations influence various “disclaimers” (Hewitt & Stokes 1975) that cabbies use to justify their actions. In taking this broader view, “culture is environmental to action” and can be treated as a “kind of shifting cognitive map of the social order and largely within the awareness of the actor” to explain cabbies’ non-compliance with regard to taxation (Hewitt & Stokes 1975: 11).
The persistence of a cash-sensitive culture throughout the Australian taxi-industry will be demonstrated in the form of personal confessions, perceptions and attitudes that have been offered during the six focus-group interviews with taxi-workers. The key to unlocking cabbies’ non-compliant attitudes is to analyse their self-reflective perceptions of the social relations, local environments and networks in which they operate. These forces can be reconstructed by listening carefully to their “talk-in-interaction” (Silverman 2005: 118). As argued in chapter two, by treating “cultural narratives, idioms and discourses as symbolic patterns possessing their autonomous inner logic” (Emirbayer & Goodwin 1994: 1440), one is also able to illustrate how cultural formations can both constrain and enable cabbies’ non-compliant activities. These dynamic social processes will manifest themselves in the ways in which cabbies express normative evaluations that guide their tax non-compliance.

Cabbies’ non-compliant behaviours can be regarded as internalised, rational responses to low levels of “instrumental-based trust” and a lack of “social-based trust” (Scholz & Lubell 1998; Murphy 2004: 191). These responses are generated by interactions with various regulatory bodies and by a perception of unfair treatment from government authorities, employers and the general public (fellow-citizens). This position is consistent with recent research by Murphy in the field of tax-compliance, which found that,

…taxpayers’ trust in government and trust in other citizens significantly influenced their levels of tax compliance, with decreases in trust resulting in higher levels of self-reported non-compliance with tax obligations (2004: 189).

Murphy concludes that in addition to experiencing instrumental trust (that is, trust generated by a taxpayer’s calculations of anticipated benefits and individual costs) the notion of “social-based trust—trust based on social relationships and fair treatment”, is just as important (2004: 191). The typical language and derogatory expressions that were used during the focus-group interviews, illustrate the participants’ general distrust toward governments and other regulatory authorities outside the sphere of tax-regulators. More significantly, cabbies’ general notions of distrust not only spill over from exogenous regulatory spheres, but are replicated by high levels of distrust inside the driver sub-culture and among their daily struggles with taxi-depots, principals (owner-operators) and fellow drivers with whom they
compete for fares to generate an income. In combination, these mitigating factors are strong correlates for tax non-compliance.

This case-study postulates that the contemptuous social relations which affect cabbies revolve around a number of recurring themes. These themes can also be directly linked to reciprocal trust and other forms of social capital which taxi-drivers are able to access to facilitate tax evasion. However, when applied to the New Tax System’s enforcement measures, cabbies’ responses during the focus-group interviews show that the Australian Tax Office has made little progress in persuading cabbies to embrace the desirable notion of voluntary compliance. To the contrary, most cabbies view the New Tax System and industry-specific regulatory enforcement measures, which came into effect on the first of July 2000, as an additional reason for non-compliance. Furthermore, the interviews provide some indications of how cab-drivers persist in shielding themselves from the ATO’s attempts to impose stricter regulatory enforcement rules. The inflexible measures are regarded as a formal attenuation of cabbies’ autonomy and a sheer hindrance to making a decent income.

4.1 Cabbies’ Raisons d’être: Owner-Operators

The first cluster of questions provided the participants with an opportunity to talk about their personal involvement in the industry, to reflect upon the public image and reputation that cabbies have gained historically, and to discuss the main likes and dislikes of the job. The participants’ most common explanations, motives and reasons for driving a cab showed strong similarities with previous research into the occupation. They all espoused familiar themes and almost echoed the findings of specific studies on workplace deviance in marginal occupations and a series of publications by the Australian Institute of Criminology with regard to the lack of safety measures for cab-drivers (see James 1993, 1994, 1995; Rothengatter 1996; Haines 1997; Sheahan & Smith 2003).

The introductory conversations reminisced mostly on what it was like to be a cabbie in the good-old-days, while also forming the basis for expressions of major dissatisfaction with the many changes to the taxi-industry since the early 1990s. The main themes that flowed from the discussions within every focus-group interview were the decreasing attractiveness of driving a cab due to the deterioration in
industry standards; the quality of cabbies and general service delivery to users; the lack of adequate remuneration for bailee-drivers; and the ATO’s misguided introduction in 2000 of new tax enforcement measures for cabbies.

The opening quote for this chapter reveals how a Melbourne owner-driver is primarily focused on the job’s flexibility and the fringe benefits, both intrinsic and extrinsic, that working in a cash-intensive industry offer self-employed cabbies. Not surprisingly, none of the owners or assignee-operators regarded themselves as formal employers of drivers. Instead, categorised typically as *quasi*-employers, they saw themselves as participants in an industry that produces a reasonable return on the capital invested in a taxi-licence, which guarantees a reasonably regular source of income and provides a worthwhile long-term investment and prospective retirement benefits. In addition, all taxi-operators believed that the bailment agreement still is the most suitable way for rewarding bailees, hence placing the incentives to work hard and a concomitant level of earnings completely with their bailee-drivers. Consequently, their contradictory locations and interests in the transport-sector create tensions, distrust and often incongruous conflicts that can be fully attributed to the social, legal and economic relationship between owners or operators of taxi-licences, and their customarily marginalised workers.

Each participating owner-driver (n = 9) viewed the autonomy that working-the-cab entails as an enjoyable aspect and found it difficult to acknowledge any negative characteristics or perceptions that outsiders have about the industry. As one of the Geelong owner-drivers put it, he “wouldn’t still be out there after forty years if I did not get satisfaction from this type of work”. Following his retirement from the Victorian Education Department in the mid-1990s, this former bailee-driver spoke about how he had used his superannuation package to purchase two licenses. He now drives one cab himself during the most profitable shifts of the week, while operating a second licence exclusively with the labour of a number of contracted-drivers on a ‘24/7’ basis. His story was rather typical for other ex-bailees for whom driving a cab has turned from a part-time job into being involved in a small-business on a full-time basis.

*I started forty years ago—1963—and I drove through necessity, because I had a second mortgage on my house and it was work or sink. And work I did!*
And I worked every weekend to gain some extra funds; and then we paid off the second mortgage. And we decided to get a new fridge; and we decided we needed this; and we decided we needed that; and then it became part of my life—as it has continued for forty years. The good thing about the cab industry is that if you’re hungry, you can jump in the cab and go and do a fare, and then you go and buy yourself a pie—have something to eat. And, I think, that is a good summary of the cab-industry (Darren—owner-driver—Geelong).

Darren’s summary of his involvement with the industry was reiterated by the account of a colleague who not only owns one licence, but also leases five plates, thus effectively managing a small fleet of vehicles and an employment agency for drivers. According to this experienced cabbie, the opportunities for bailee-drivers to eventually start their own business are still abundant. Furthermore, he disagreed with the accusations from other members in the group that the industry provides a job of last-resorts; offers no long-term career prospects; and has very high levels of attrition.

But back in 1965 it was no different. And then I bought a cab in 1972; was an owner for about four years; and then got out of it to work in a different field for ten years as a sales-manager. I only drove part-time there for the first seven years. You know, it’s a good industry to be in, I mean, either as a driver or as an owner. If a driver has got enough gumption he can become an owner. Some of my drivers have now been with me for ten years! I’ve got two permanent and I’ve only started running five cars in the last two and half years.... I don’t think the turnover in personnel in the taxi industry is any higher than in any other labour-orientated, uneducated industry. I am talking labour—I’m not talking professional people. I’m talking about the pot-rooms at Alcoa or talking about the floor at BHP’s steel mill, or whatever. I think the turnover there, is as high, if not higher, there, than in our industry. I reckon it’s a tremendous industry to be in! I mean, the possibilities are endless, you know. If you’re prepared to work, you can really make a go. A classic example, just recently, that is, I am talking two and a half years ago and not forty years ago! We had a young Bosnian that could not speak any English. He’s now an assignee. He has bought a house and he looks like spending two hundred thousand within the next 18 months and is borrowing to buy a licence. And because he’s prepared to work, I don’t think he can go wrong! (Frank—owner-driver/assignee-operator—Geelong)
An owner-driver in the Sydney focus-group described his successful career with the industry from being an active taxi-operator to also becoming a member of the Board of Directors of Sydney’s largest taxi-depot—CCN. In this auto-biographical account, Boris also epitomised the notions of freedom, flexibility, job satisfaction, autonomy and worthwhile returns for effort.

I started driving cabs when I was very young—twenty-one years of age, back in 1978. I just wanted a job that I could do; whatever I wanted to do; and also have fun with my mates. And I liked it because there was a lot of freedom involved. You worked as hard or as little as you wanted. If you wanted to go home, you could, you know. And if you wanted to work fourteen or fifteen hours non-stop, it was okay. You needed extra money? You worked harder. And if you did not like somebody you would stop and tell them ‘to get the fuck out off your car’. And that was it. We’ve all been there. It’s just the freedom of being a cab driver.... Turn the key off and you’re home. I mean, that was fantastic. I bought the cab five years later. I worked my butt off for ten years to pay it off. So I’ve a slightly different perspective on the issue of the value of the plate, in a sense that I ‘worked my ring-piece off’ for ten years. Feeding three kids and a wife, and that was a huge commitment to me. It became my best asset, right? And ultimately, about five-six years ago, I finished-up going on the Board of Deluxe Regular Cabs Co-operative. We subsequently floated CabCharge and I was involved in that process. And I was involved in floating Taxis Combined, which became CCN—Combined Communication Network—and ultimately the merger of the two entities. So, I was very much involved in ‘The Mafia’, as you guys go. And also, I was a driver; I was an owner; and then I was ‘The Mafia’—I’ll use your vernacular (Boris—owner-driver—Sydney)².

However, Boris has recently resigned from his position as a member on the Board of Directors at CCN—now the largest taxi-fleet communication network in Australia. It is his expression of personal disagreement with the way in which the taxi-industry is shifting its focus—in his words—“from maintaining a cottage-craft-industry to looking after the interests of the mega-depots and service bureaux that are backed by large corporations, financial institutions and driven by speculative investment dollars”.

The contributions from two owner-drivers in the Brisbane focus-group resonated with the stories and themes that arose as well during the Geelong, Melbourne and
Sydney focus-group interviews. As experienced owner-drivers, both Rory and Dave recalled how they got into the industry and used to make “good money in the olden days”. Rory, in particular, combined his memories of the golden years for the industry with a critique of more recent developments in the Brisbane taxi-market, which have had significant implications for taxi-owners and drivers alike. In an exchange with the focus-group moderator, this experienced owner-driver articulated his main concerns and drew some comparisons with regard to the deteriorating level of income for cabbies.

I was working in government. I’ve been in the game for 32 years and when I left the government job I was in, I was getting $80 a week. And I went into the cab business. And the first week I took $560—seven times what I was making in the government job! Now if you just come forward thirty-two years; there’s no way in the world a driver is taking seven times what the basic average wage is.

[Moderator: But did you start as a driver, or did you go in as…?]

No, no. I bought a cab. I just bought a cab and came…. I mean, irrespective of whether you owned it or bought it, if you went out and drove it you could take that sort of money. Cut that in half…. A driver was getting three-and-a-half times what the average person was getting! And that was thirty years ago! And since then, everything’s been undermined and we’ve gone down-hill! They have put more cabs on; and there are limousines that have come on; there is buses come on; there’s…. The whole industry is getting totally undermined by other forms of transport. And, let’s face it, we are all in a business because we want to make money. And the cab industry is just not making the money. And I think that the leadership in the cab-industry has been pretty poor. And the Transport Department is not interested in how a cab owner or a cab driver lives—they couldn’t care less! They simply want a service provided. And if that service is not provided, they want to know why. And they are not really interested in providing any answers. They are only interested in getting results. So it’s up to the cab-industry to do it. How do we do it? I don’t know, because we are being undermined from every angle: by government; by private enterprise; by railways; by buses; by private buses; by limousines. Just…it’s just absolutely incredible! (Rory—owner-driver—Brisbane).
His fellow owner-driver (Dave) was regarded as a “real character” by the other participants of Brisbane’s focus-group. Dave owned two cabs, one of which he drove himself, while running the second plate and vehicle with a few contracted drivers. However, he recently sold one licence—cashing in on its capital appreciation—while leasing back the plate, thus still operating effectively two taxis. However, Dave is again considering his full-time retirement from the industry because he believes that the marginal return from operating taxis as a small-business nowadays is not worth the stress and effort. His colourful account about his involvement with Brisbane’s taxi-industry for some twenty-five years not only supported many of the points that his friend Rory had raised, but also caused lots of laughter and joking throughout the entire session. In the following exchange with the moderator, Dave got on his soapbox, spoke his mind ardently, and shared a few ‘pearls of cabbie wisdom’ with his audience.

_I bought my cab in 1988. I bought myself a job. To start off, I worked many years in the Bank of New South Wales. And I was in the Queensland Police Force for many years. And I finished-up in footwear retailing. And I had a ‘gutful’ of the public! And I came out thinking I’d get a job anywhere…. And I couldn’t get a job! So I bought myself a job—I went and bought myself a taxi!_  

_[Moderator: And you have regretted it ever since…?]_

_I used to drive that cab six days a week. I used to go-out and make myself $400 a day in my pocket and pay for my gas. I wouldn’t put on any drivers, because I saw some of the drivers drive around Inala—some of the drivers I emphasise. And I would not let them ride my pushbike—the way some of them drove! They treated your car like it was ‘just a heap of shit! And I thought: I did not pay a hundred-and-twenty grand for this licence and ten grand for a car for these blokes to trash it and destroy it! So I put my son-in-law on. I taught him how to drive a cab. And he drove Friday night; and he drove Saturday night; and I let him keep all the money for himself, because he was buying a house for my daughter. And I was doing very nicely. Then, over the years, I cultivated a good stable of drivers. And I look after my drivers. I’ve never…. My drivers have never got less than fifty per cent; they’ve never paid a dollar in insurance in their life or for any prangs. To me, that’s bullshit! And if you challenge that in a court, you’d win, because it’s crap!_
Now the industry is screwed—totally rooted because there are no people… very few people like Rory and I. It’s mostly investors. They ‘couldn’t give a rat’s arse’ about anybody, except the bottom line. Neil Smith and a few other blokes run the industry. They run it to suit themselves! The government ‘couldn’t give two rat’s arses’ about anything! The Transport Department is just a joke to be honest. It was the same under the Liberal government. I’m not blaming governments. They don’t care. It’s run by a handful of people and that’s the way it is. And they’re destroying it! And as for my expenses now… I know you fellas have got to make a quid. But you blokes can come and look at my books any time and I can show you my bottom line. After I pay for my insurances; and registrations; and tyres; and repairs and that—I am telling you that I am getting ‘bugger-all’ out of it as well!

Times are tough—times are tough! But, then again, I’ve said it to myself. I can sell—I sold my licence last year and I’ve got one more I can sell now—and at least I run one and I lease one. But what am I going to do with $300,000 in the bank at four and a half per cent? I’ve had drivers that work for me for twelve years. They’re loyal to me. And I’m loyal to them. I don’t want to sell my licence, because I struggled with that as best I can. I know when they go out, they do their best. They don’t go out there to ‘buggerise around’. They go out there to make a quid. If they can make a quid, they make a quid for me. But if things are tough, I’m doing it tough and they’re doing it tough. But, in the industry now, there are far, far, far too many investors. There are not enough owner-drivers. And until the government or somebody redresses the situation, the industry is only going to go one way! And it will be out the back door! And I would say that within five years, or possibly even less, I think the industry will be fully deregulated (Dave—owner-driver—Brisbane).

The above accounts go to the heart of the many problems that cab-owners and bailee-drivers espoused during the interviews. It is, as will be shown later, almost a carbon-copy of the way in which Boris (Sydney focus-group) expressed his frustrations with industry developments in an even more volatile metropolitan environment. However, Dave’s account is typical in another sense. By referring to the efforts and loyalty from his drivers, he is—like so many owners—trying to preserve
his personal reputation and image as a decent man and employer. By attributing all blame for drivers’ abysmal working conditions to “investors”, the “leadership of the industry” and “the government”, owner-operators defend the legitimacy and ongoing use of bailment-agreements, while escaping any direct responsibility for instigating a more attractive remunerative package for drivers. However, like every other owner of a cab-licence Dave can always sell his valuable asset and leave the industry as a self-funded retiree. Selling a taxi-licence can produce a significant financial benefit in the form of capital appreciation, provided that the current trends in the escalation of values of taxi-licences persist. However, unlike Dave, most other owner-drivers anticipated that the value of plates will continue to rise and expected that the Australian taxi-industry is not going to be fully deregulated on a national basis in the near future.

The speculative aspects with regard to the regulation of taxi-licences continues to be a contested and highly divisive issue for bailee-drivers who believed that the escalation in licence values is encouraged—if not fully facilitated—by an ongoing utilisation of “slave-labour” throughout the industry. The disproportional increases in licence values were typically attributed to the powerful lobby of the Australian Taxi Industry Association (ATIA); the political unwillingness of State governments to fully deregulate the issuing of taxi-licences; and the influx of investment capital into the large taxi-depots that operate in Australia’s highly urbanised capital cities and major regional centres. Some informants believed that too many ex-politicians, transport-regulators and other people in high places who own cab-licences are merely protecting their valuable nest-eggs and have hitherto prevented the deregulation of the industry.

The collective fears and resistance from small owner-drivers to a full deregulation of taxi-licences on a national scale were emphasised during the focus-group interview in Darwin. Clive and Jill (the only husband-wife team and female cabbie in the study) can now only operate a taxi-licence that has been issued by the Northern Territory government’s Transport Authority. They were adamant that if an overall deregulation of taxi-licences was to take place in any of the other States, both the national industry and the majority of small owner-operators would be ruined. According to these informants, the cab-industry in Darwin “has copped the full brunt of this regulatory madness” that has devastated many cabbies “like a tropical cyclone.”
Clive and Jill did own their cab-licence previously but received $235,000 in compensation when all eighty-seven licences in the Darwin taxi-zone were revoked in 1998. However, since the first of January 1999 they pay an annual lease fee of $16,000 to the Northern Territory transport-regulator and have had to face a significant increase in competition, which has been caused by allowing one hundred and thirty-seven taxis to operate within the same taxi-zone. Since the official deregulation, Darwin’s taxi-market has increased its capacity by fifty-one taxis, while relatively modest increases in the district’s population have taken place. In addition, the Territory’s issuing of licences and regulatory arrangements with regard to Limousines and Private Hire Vehicles have been liberalised. This sudden and disproportionate expansion in the supply of cabs and other passenger-transport services has, according to these respondents, caused an enormous fall in revenue for every local taxi-operator and bailee-driver.

Jill has stopped driving altogether and is now “only on the Board of the local Taxi Council”. She believes that the industry’s “diabolical situation” must be reversed and blames the ignorance of the Northern Territory’s government—and by extension every transport bureaucrat—for the current financial hardship among taxi-operators in Darwin. Moreover, she believes that the regulators “have no idea” about what is involved in running a taxi-business. To make her point—and avidly supported by her husband—she challenged the Territory’s policy-makers to “drive a cab for three months and find out for themselves how tough it is” to retain financial viability in a competitive environment.

It has gone downhill. And now that I am involved with the Taxi Council, I just want the government to sit down and shut-up, and listen to what we are saying. I would like to meet with them all and say: Sit there. Shut-up. Listen. And listen hard. They don’t know... they’re not in it. Anyone that’s on the outside and has never been involved in any way, in the taxi-industry, does not know how it really is. They don’t have a clue! I would like a politician—I really would—two of them to get out there and drive for three months! ‘You drive a day-shift; you drive a night-shift; and you drive a weekend’. Then you come back and then I will listen. That’s how I summarise it (Jill—wife of lessee-operator—Darwin).
In her representative role on the National Taxi Council, Jill is supporting the relentless lobbying of the federal government by the ATIA, for classifying the Territory’s 1999 deregulation experiment as a total fiasco. In spite of recommendations by the National Competition Commission, all other taxi-zones in Australia have thus far escaped the overall deregulation of their cab-licences. Instead, all State governments have somehow liberalised the Limousine and Private Hire Vehicle sectors or, as in Victoria, have started to issue restricted cab-licences (called “Green-Tops” in Melbourne) that can only operate at certain hours during the day and night.

4.2 Assignees and Trunk-Operators: Service Innovations

In contrast with the Northern Territory—where taxi-plates can now only be leased from the government—owners of licences in all other States are still able to assign the rights associated with operating a licence to a suitable third party. As mentioned in chapter one, this arrangement represents a relatively new category of service providers, which did not exist in Queensland, Victoria or New South Wales until the late-1980s. Among this new category of operators, stories about the attractions of the industry were very similar to those expressed by owner-drivers. Once again, the most common themes were having a sense of freedom; extended income potential and profit-making incentives; work-flexibility; and an ability to choose one’s passengers: thus build a sustainable private clientele.

I sort of got involved in the taxi industry as—to a certain extent—a last resort, originally, through lack of work. That’s somewhere where I could get a job very, very easily and generate an income. That was probably the initial reason for starting in the industry. I have left the industry a couple of times but, as a few other members will probably say, you always end up coming back to it. And I have done that a couple of times, probably because you are pretty much your own boss and you don’t have to put up with somebody telling you what to do all the time. I guess now being an operator of a car—not an actual owner but an operator—it has given me an enormous flexibility, I guess. I am very selective in the type of people that I pick up. Ten years in the industry is… you get sick of putting up with idiots. So, you know, you see them on the side of the road, jumping around like a moron and you just don’t… I’m not interested in putting up with that (Lou—assignee-operator—Melbourne).
Lou’s remark with regard to selecting his passengers carefully also refers to a relatively new phenomenon within the Australian taxi-industry—the so-called trunk-operators. They utilise not only the designated radio-computer and dispatch system of the depot they are associated with, but run an additional communication network among themselves. It has seen the rise of a two-tiered fragmentation among cabbies during the last decade: those who drive the ‘regular’ street-taxis; and those who cater for the higher end of the market and its demand for cleaner vehicles and the delivery of cab-transport by professional drivers. This recent development has been the result of two related issues that have arisen from within the cab-industry itself. The first and most obvious explanation is that an application of modern communication technology (for example, mobile telephones and other electronic equipment such as GPS) has created a more sophisticated market of clients who require instant taxi-services. Average waiting times following a call to a booking centre can be considerable—especially during the weekend or large sporting events (tournaments, race-meetings, and the like)—not to mention the connection between the peak-demand from customers frequenting entertainment venues and the very strict enforcement of drink-driving legislation by Australia’s respective police forces.

Drivers within a group of trunk-operators service a much smaller clientele that each individual member has built-up over the years and by sharing their privately taken phone-bookings within their small network. That is, they “cover one another” on the basis of proximity and availability when a regular customer contacts the preferred driver who may be unable to honour the call immediately. Even though State governments—under severe pressure from the authorised depots—have tried to prosecute this illegal activity, the lack of specialised enforcement officers and the mobility of taxis make it impossible to regulate effectively these entrepreneurial innovators. Moreover, many among the high-frequency users of taxis have responded favourably to being guaranteed a personalised form of service that is offered by a group of experienced and reliable cabbies.

The second explanation can be framed in terms of a response to product and service innovations by the large depots, for example, Yellow Cabs’ “Silver Service” in Brisbane, to counteract the increased competition from local Limousine and Private Hire Vehicle services. Nevertheless, a depot’s ‘up-market’ service is regarded as a divisive force and working against the financial fortunes of the majority of ordinary
drivers. It is a form of vertical, rather than horizontal, competition within the sector, which is aimed at differentiating between both the quality of vehicles and the calibre of a depot’s cab-drivers. It also concerns the type of profitable fares that regular taxis miss out on, as well as a divisive (and often ethnocentric) form of social control by management in trying to lift the industry’s poor image.

Trunk-operators have responded to this type of product innovation by defending their own niche within local markets which, according to them, is the direct result of the rapidly deteriorating standards in the quality of mainstream taxi-services. Some of the owner-drivers and assignee-operators of the Melbourne and Sydney focus-groups currently work within these tight social networks. Their main argument is that the “mega-depots” (such as CCN in Sydney or SilverTop Fleet Management in Melbourne) have lost touch with the requirements of small cab-owners and operators, and are primarily interested in making financial returns for their major shareholders and investment bankers. Moreover, the provision of computer-dispatch technology, financial and fleet-management services (including a labour supply agency and technical infrastructure) has slowly moved from the traditional taxi-depots to multi-million dollar corporate enterprises. The number of local cooperatives, previously funded and run by individual owner-operators, has been diminishing as a result of mergers and take-overs by these mega-depots.

Calvin, aged sixty-three, is an assignee-driver in Melbourne who has recently joined a newly formed group of trunk-operators. He has been in the industry in excess of twenty-five years. Calvin is actively involved in lobbying Victoria’s transport policymakers to restructure the current licensing system and improve the overall image of the industry. However, he is also trying to establish an alternative, authorised computer-dispatch and communication network which could directly compete with the existing oligopoly of the three large radio-networks and taxi-depots that dominate Melbourne’s market. His initial attraction to driving a cab and opinions with regard to today’s remuneration and safety conditions for cabbies were as follows:

I got into the industry by default much the same as Wilfred, if you like. Initially, it was just a means for paying the bills. But also, I would say that the standing of the driver in the community has deteriorated enormously and over the last twenty-five years, in particular. And that has created a massive Occupational
Health and Safety issue. It is a very poor situation at the moment. And the problem with that is that the industry changed in Victoria, some fifteen years ago when the assignee’s clause was removed and assignees came in. That was basically because the government only adopted half of Faletta’s recommendations. If they had gone the ‘Full Monty’ we would not have had the problems that we have got today... (Calvin—assignee-operator—Melbourne).

This explanation for the gradual deterioration in the quality of taxi-services is similar to the ones that were heard in all other groups. They point the finger at the transport regulators’ lack of initiative in redressing the problems that have been building up over the last twenty years. Many cabbies believe that this is mainly the result of a lack of understanding of the inner-workings of their industry by politicians and transport regulators.

An owner-driver (and assignee) in the Geelong focus-group expressed similar sentiments with regard to the problems that the ATO faces in collecting the GST from bailee-drivers. In general terms, the industry is not overly impressed with regulators' interferences or any forms of bureaucracy and ‘red-tape’ that affect their business. However, the new GST procedures are regarded as far too complicated for the average cabbie (and NESB drivers, in particular) according to most self-employed owners and operators.

As a general observation, it would be my belief that most cab drivers—no disrespect to anybody—lack the management skills to organise their finances, particularly over a period of time. I think that one of the major problems is that they have got the money in their pocket. They are just drivers and they are not business people and have no previous book-keeping experience. It is as simple as that! (Darren—owner-driver—Geelong).

In response to my question whether or not the ATO had anticipated the difficulties involved in making contracted-drivers solely responsible for their ABN registration and the subsequent lodgements of quarterly Business Activity Statements (BAS), another operator said:
But in most things that bureaucrats develop there is always a problem; and it has got to be fixed after the thing gets in motion and is going and running. So that is nothing new! You could give a bureaucrat ten years and he still could not prepare anything properly! I mean, there are plenty of examples out on the road. On building structures and road-design where they have made alterations after the effect—after it came into place because the participants that were actually going to do it were not consulted! But in cases where they were consulted, there was little notice taken of them. And after the event they say we have got this wrong now; we have got to alter this to make it right! (Frank—owner-driver—Geelong)

The above extrapolations from one regulatory sphere into another and repeated generalisations run through many stories that were told during the focus-group interviews. However, the following section of the analysis will illustrate more precisely how cabbies’ perceptions about transport regulations, taxi-licensing policy, industrial relations, politics, economics and government protection of the public interest, are viewed as the main obstructions to both a better functioning industry and drivers’ personal welfare.

4.3 Bailee-Divers: The Meat in the Sandwich?
Following a heated exchange of words among all participants, Calvin (assignee-operator) concluded that the “influx of investors” was one of the main culprits for significant changes to the attractiveness of the industry in Melbourne. Except for Wilfred, who is member of the Transport Workers Union, the others are all members of a group of trunk-operators. Moreover, the controversial exchanges during this interview in Melbourne revealed some hidden dynamics—that is, hidden to outsiders—and industry-specific internal tensions that characterise the relationship between owner-drivers and assignee-operators on the one hand, and bailees on the other.

Neville: You know, basically, you have a few people up here that get all the clippings out of the industry. And there are no real votes in taxis, so the government can kick them around as they like, without any real proper base or discussion, I suppose.

Lou: The industry is really struggling at the moment… through lack of work for a start. The workload has dropped off. Also, the quality of the industry has
dropped off. We also worked in together whereas now it’s everyone for himself, you know, they don’t care. And, I think, for the industry to improve, we’ve got to get some sort of system back into place where there is a bit more driver-courtesy not only from other drivers, but also from passengers alike.

Heath: Right from my thirty-odd years in the game much the same lines, you know. It’s the flexibility of the industry; the independence of the industry; and, talking about… the self-respect, I think to a degree, there’s no respect in our industry as there was thirty years ago. I think from the Eighties onwards that respect has certainly gone.

Wilfred: Going back to my days, we were respected as taxi drivers. You could say to the 18 year olds ‘jump in the cab and get home safely, love!’ You can’t do that today—you might get fucking raped! (Excuse me.) What I am saying is that the buck must stop with the government! They are the bastards who control it. They are the ones who implement and run the enforcement, right? They don’t need any more rules and regulations—they’re all there. The problem is: they are not enforced!

Calvin: The problem is that there is no career-path for the driver coming into the industry, because it is a dead-end job.

Wilfred: Well, if the coppers were running it—not like these arseholes up here—but if the coppers were running the industry, these fucking black cunts would not be driving. All these blokes who don’t know where Bourke Street is, they should not pass the test—the coppers wouldn’t have passed them!

Neville: But they have got enough trouble getting people driving cabs in the conditions that… work in conditions that they have got now.

Wilfred: They should be on fucking wages!

Neville: Yeah, exactly! But they earn fuck-all money, so who are you going to get? The dregs of society!

Wilfred: Of course! You pay fucking peanuts—you get fucking monkeys, don’t you?
Neville: Right! Look, I come from a different industry and that was the first thing I noticed. Like, drivers have got to wear the losses, you know. Things like: they get ripped off; they wear the loss! And there is so much money in the industry being sucked-up by the wrong people!

Wilfred: Yeah, the investors! Every, every plate out there on the road should be owned by a driver—one bloke only! You can only drive one fucking taxi at a time, right?

Calvin: You have $20,000 a year going out of the pocket of a driver who is at the coal-face into the pocket of investors.

[Moderator: So, if I understand you correctly you want to get rid of the absent landlords?]

Wilfred: Absolutely! Exactly!

Neville: But on the other hand then you have got guys like me that, even though I didn’t understand this when I bought, that is the only thing that makes my life go up in value—people being silly enough to pay the twenty-two-grand a year, which makes eight percent of the three-hundred-thousand that my licence is worth!

Wilfred: Listen! The worst… the only reason why a licence is worth three-hundred-fucking-thousand is slave-labour! If they were paying wages, the cunts would be worth fucking nothing, right?

Neville: Well, it is pretty high and I can’t believe for what little money a taxi can make, how much people are paying!

[Moderator: For a licence?]

Neville: Yeah. Of course, it comes back to the tax situation. If the tax benefits were not there—if you couldn’t… you probably could not do it.

The above exchanges show how frustrations and anger that are typically projected by bailee-drivers are redressed by owner-operators as unfortunate circumstances beyond their control. Even though owner-operators may empathise with the harsh
conditions, the tensions that are caused by the perceived remunerative inequities are nearly always negated on the basis of bottom line economics or regulatory incompetence. However, there is another consequence: tensions that are created by the segmentation of taxi-owners, assignees, trunk-operators and their respective contracted-drivers are deliberately kept alive. Owners and operators do care about drivers but will not claim any responsibility for, nor take the initiative to, introduce changes to the existing bailment agreements. Alternatively, answering the question as to what extent a bailee-driver is truly self-employed—not only in the legal sense but also in a practical fashion—can be avoided ad infinitum.

The level of autonomy that bailee-drivers have is, strictly speaking, restricted by a multitude of rules, regulations and other social relations that guide their work-practices. For example, even though a bailee does not own the cab nor is responsible for its registration or maintenance, the driver will be prosecuted and fined if the vehicle is found to be unroadworthy during a shift. Conversely, a bailee-driver (non-employee) cannot have an owner-operator being prosecuted for not providing a safe workplace (an unroadworthy cab) under provisions of Occupational Health and Safety legislation. Moreover, drivers are always exposed to the risks of attack and robbery; fare-evasion; passengers soiling the cab; car-insurance deductibles in the case of accident; mechanical breakdown—all without any form of compensation by cab-owners or operators. These contradictory situations fuel resentment and antagonism. They are also the main reason why most experienced drivers have no second thoughts about doing some fares ‘off-the-meter’ during a shift and pocket the money in full—that is, ‘rip-off’ the owner of the cab (cf. Vidich 1976; Sheahan & Smith 2003).

Nevertheless, according to my informants, the most frequent sources of conflict and drivers’ dissatisfaction can be linked intrinsically to the fact that every contracted cab-driver in Australia is still not legally classified as an employee. In short, as long as they can legitimately be exploited under the bailment-agreements, the majority of Australia’s cabbies will never enjoy decent wages, secondary benefits or any form of legal protection under Australia’s Industrial Relations’ laws. However, before concentrating on specific taxation and other compliance issues, the awkward and ambiguous position of bailee-drivers requires some further attention. The following section of the data analysis will illustrate how deep-seated frustrations and
resentment may spill-over into, and subsequently generate, negative motivational postures with regard to compliance matters.

Most of the participating bailee-drivers displayed a healthy self-image during the interviews and were generally found to hold positive attitudes vis-à-vis their job, owners and operators, customers, or fellow-cabbies. However, an eruption of disillusionments during the Melbourne focus-group interview was an unprompted exception. Wilfred has been driving taxis (chiefly on a part-time basis) for about forty-five years. He has invested a lot of his private (unpaid) time and personal efforts in representing the interests of fellow-cabbies on government committees, at industry inquiries or during industrial disputes. Wilfred has an excellent understanding of the inner-workings of the industry and has been exposed to the full array of changes that cabbies in Victoria have experienced, particularly since the early-1990s. His militancy and directness in summarising situations and repeated critique of the archaic working-conditions for drivers expressed what many cabbies strongly feel but will not easily talk about in public.

In addition to his anger about the continuing failure of tax-owners to provide proper working conditions and remuneration for cabbies, Wilfred blamed the Victorian government and Transport Regulators (VTTD) for a general bailee-malaise throughout the industry. He attributed not attracting better qualified cabbies to the chronic lack of driving and language skills among the majority of Non-English Speaking Background (NESB) migrants, working tourists and Asian students who, nowadays, dominate the industry’s workforce in Melbourne.

Wilfred’s explanation for the influx of migrants is that people who choose these “low-entry jobs” are exploited by operators, who target effectively a non-committed pool of cheap labour (see Kloosterman & Rath 2001). According to Wilfred, it therefore is hardly surprising that the status of taxi-drivers—in the eyes of the general public—has fallen to a level where some cabbies both regard themselves and feel treated “like of piece of crap”. Following my probe about the public image that cabbies have developed over time, this embittered bailee-driver put his view on Melbourne’s cab-drivers and the VTD’s mandatory rule to wearing a depot’s prescribed uniform whilst on duty, in no uncertain terms.
Wilfred: *The last card in the pack, isn't it?*

[Moderator: *Right! Elaborate?]*

Wilfred: *Well, it's the lowest of the fucking low—that is what it is. There is nothing left; there is nothing beyond it… the lowest. Unless you're a snake's guts or something like that. Or a politician!*

[Moderator: *So as far as the social status is concerned, taxi-drivers just sit there at the bottom of the ladder?]*

Wilfred: *Yeah, they are shit! That's why I won't wear a uniform. It's written on me: Fucking SilverTop! And when I walk through MYERS they say: 'Look at that cunt—he is a fucking criminal—he is a fucking taxi-driver!' That's the image we have got! And who do we thank for that? We have got to thank the government because the buck must stop with them.*

Other than venting his anger about incurring fines for driving ‘out-off-uniform’ from the VTD on a number of occasions, Wilfred’s implied message was representative of many cabbies’ belief that regulators have gone soft on industry entry-standards, skills and subsequent driver training. Policy-makers only look after the industry’s most powerful stakeholders. In short, the Victorian government and the VTD’s bureaucracy are neither serious about nor capable of cleaning-up the industry by enforcing their own Taxi-Cab Rules and Regulations. Similar accusations were vented by owner-drivers and assignee-operators during the interviews in Brisbane, Darwin and Sydney.

In contrast, most bailee-drivers acknowledged that there still are plenty of attractive aspects to driving a cab. It provides them with their sole source of income, whereas for others earnings are an addition to income from another primary source of employment; as a recipient of social security transfers; or as a supplement to retirement and superannuation benefits from previous employment. The majority of informants stated that a combination of factors, such as the flexibility of “drifting in-and-out of the industry, job autonomy and the extra-cash” (including the anticipated tax free component) that the job produces, remains the ultimate attraction.
However, notions of autonomy and necessity for their day-to-day survival appear to be inversely related with regard to many cabbies’ civic obligations to pay tax. According to the owner-drivers in the Geelong focus-group, the flexibility and autonomy that the industry offers to bailees does affect their views on taxation to the greatest extent. Alternatively, some cab-drivers will strongly resist the regulator’s attempts to close down the industry’s “Mecca-for-Cash” no matter what may happen, because they have not known it to be any different from when they first got involved as drivers. According to informants in the Melbourne and Sydney focus-groups, the tax free aspects of the job may also explain the rising number of NESB-cabbies during the last decade. Nevertheless, the following recollections with regard to the taken-for-granted, non-taxability of income by this owner-driver epitomise the industry’s dominant cash-sensitive rationale.

*It’s been a cash-industry right from the start! From the early sixties when I got into it and it has always been a cash industry, right? Now all of a sudden, GST has come in and because of the cash-industry situation the government has said that all taxi drivers must register for the GST to try and get some of them into the loop—into the network. Because, most of the drivers that are not paying GST are also not paying income tax and the whole idea of the regulator, realising that they would not become employees as such, because the resistance would be too great.*

[Moderator: Resistance from?]  

*From everybody! The drivers and everybody else! Look, if you want to be honest about it, right? We all got into the industry in the old times and we earned our money at Alcoa, or Fords, or whatever. And we drove two nights a week. And we never declared our income to them—let’s call a spade a spade!*  

(Frank—owner-operator—Geelong).

A pertinent issue that was raised in the above segment was the owner’s reference to the ATO trying to get more cabbies “into the loop” because “they wouldn’t become employees”. The “would not become employees” utterance is, of course, associated with the outcome of the 1998 ATO/ATIA test-case that upheld the status of bailees (as non-employees) which was contrary to expectations. As a result, the ATO was
forced to redesign its enforcement measures vis-à-vis bailee-drivers in 2000, when
the New Tax System was introduced.

The outcome of the test-case in the High Court remains the most mentioned dislike
that bailee-drivers express about the industry. They regarded the decision as the end
of the road of the numerous attempts to improving a driver’s financial status, as well
as a missed opportunity to reverse a major social injustice and historically
institutionalised inequity. It was regarded as the government’s overt support of the
industry’s economic prerogatives and for maintaining the antagonistic relationship
between drivers and owner-operators. Ironically, the opportunities that bailees
continue to have for tax-cheating can also be seen as an unofficial mechanism to
maintaining industrial peace throughout the industry. Chapter five will discuss this
possible contradiction in greater detail.

The next section of the analysis will discuss the specific insights that members of the
various focus-groups offered with regard to the clusters of questions about the ATO’s
treatment of cabbies as taxpayers. Participants were also asked to make regulatory
suggestions, provide industry-specific solutions to problems, or justify their persistent
tax-non-compliance. More significantly, a peculiarity with regard to the historically
dominant bailment arrangements in New South Wales will be discussed. It will
explicate how the mal-integration of State-initiated transport regulations and federal
tax-enforcement measures clash and make it near impossible for the ATO to
maximise and recover the rightful amount of taxes for which cabbies in New South
Wales are liable.

4.4 Sydney’s Taxi-Workers: Serving “Investor-Capitalism”

The vast majority of bailee-drivers in Sydney and NSW are subjected to a particular
bailment agreement—in industry circles better known as Method Two. Depending on
the duration of a shift and the day or night of the week, a bailee-driver bails the cab
for an agreed amount—the fixed rental—from the licence-owner or operator.
However, the driver is responsible for the fuel-costs and earns whatever he or she
takes in excess of the rental and costs for fuel (LPG gas). Permanent (full-time)
drivers are entitled to a few secondary benefits but, as will be seen later, rarely get
their holiday pay or sick pay. Moreover, a Method Two-bailee in Sydney has no
obligation to record and disclose the total amount of money taken during a shift to the owner or operator of the cab-licence.

These conditions stand in sharp contrast with the contractual obligations that most bailee-drivers in the other States and Territories have with a cab-owner or operator. For example, a 50/50 or 45/55 commission-split over the metered takings during a driver’s shift may be the arrangement that is agreed. Nevertheless, to drive a cab on the basis of a split-commission arrangement, generally known as a Method One agreement, is extremely difficult to transact in Sydney.

The following fragments have been taken from the Sydney focus-group transcript and show the significance that a Method Two bailment-agreement has with regard to the ways in which the participants express their notions of fairness and social justice. The participants’ involvement in Australia’s largest city, accommodating the largest number of taxis, as well as their combined experience with the NSW taxi-industry, produced some fascinating insights. More significantly, the data demonstrated how cabbies’ perceptions vis-à-vis the control of the industry by the “Taxi-Mafia”, bailees’ remunerative arrangements, the pricing of cab-fares, transport regulations, and motivational postures towards tax-compliance, are all interrelated with tax non-compliance.

Ideologically driven by different motives, the Sydney participants felt strongly about levels of unfairness “that have directly and indirectly subsidised this industry since the Great Depression of the late 1920s”. Their criticism and words of disapproval about changes to the national taxi-industry were very similar to those heard in the other focus-groups. The only owner-driver in the group emphasised that the “time has come to have a closer look at growing the cake and dividing the slices differently.” According to this industry expert, the standard of drivers has fallen to an unacceptable level. However, in order to lift its image—thus increasing demand for cabs and revenue to all its stakeholders—the industry needs to attract better people and keep them in it. The following passage illustrates his passionate plea for significant improvements:

The people are leaving. There is not a handful of people left in the industry who, in any sense of the word, have a clue. It’s a job of last resort. It has
simply become something that you do when you’ve got absolutely no other bloody choice, except for a few dinosaurs like ourselves – as a lifestyle choice; we’ve been in it for too long; there’s a certain attractiveness for all the things that we do. But the reality is that a new entrant to the industry is not going to enter like we have. It’s not going to attract the people of this standard. It’s… it has now become a job of, honestly, ‘absolutely-dead-set-last-resort’. And it’s going to get worse and worse, till you completely restructure the industry (Boris—owner-driver/industry consultant—Sydney).

According to a Sydney taxi-activist, efforts by the trade union movement to gain better conditions for its taxi-industry members have produced insignificant in-roads into achieving a “living-wage” for highly exploited taxi-workers. Politicians, in particular, are seen as people who are dealing with complex issues, which “they don’t fully understand; don’t want to know about; or deliberately put into the too hard basket”. Ben’s disillusionment with the taxi-industry’s highly influential centres of power and leadership is attributed to the fact that major (and perhaps irresolvable) structural contradictions underpin the provision of privately owned passenger transport services. From Ben’s perspective, ongoing profitability “necessarily requires various forms of exploitation of drivers to suppress labour-cost inputs”, while failing to receive “adequate government subsidies that apply to other segments of the public transport sector”.

Following a probe about their personal “absolute dislikes”, another informant reacted as follows:

Well, the fact that the networks and the bases have so much power relative to drivers… I put that down to the fact that drivers are not organised. Even though the Transport Workers’ Union is theoretically supposed to represent drivers, in practice it… drivers have little or no input into the union. The membership is very low. So any kind of decisions—any kind of campaigns or anything that are run on behalf of taxi drivers—are thought up by the officials, with little or no input from drivers (Pete—M2 bailee-driver—Sydney).

A colleague of Pete noted how the “endemic corruption throughout the industry” and general apathy amongst drivers “to get organised and put up a real fight” has gone on for years. As a member of the Transport Workers Union (a rare exception), he has
personally been involved in challenging the “legality of Method Two” but has not been able to achieve any success on a broader scale. He is fully aware of the method’s exploitative implications for drivers. As someone who belongs to a minority that drive under the Method One arrangement, he provided the following explanation for the asymmetrical power differentials within Sydney’s taxi-industry:

I think the industry is very controlled by a small group of people to their own ends. No, I don’t joke about that! I agree that they are a Mafia; they operate like a Mafia; they wage influence on government, to maintain various distortions of law to enable the revenue flows of the industry to head their way. And I’m talking about Method One and Method Two! I maintain that Method Two is illegal. Why weren’t wages reinstated after the Great Depression, as the owners had applied to have the award ‘stood-down’ for the duration of the Depression? Why were these ‘fixed-pay-in rorts’ taking root at that time? (Murray—M1 bailee-driver—Sydney)

Murray’s knowledge of a long history of exploitation of taxi-drivers became apparent from his evolving narrative. He detests the social and economic injustices, which he perceived as “conspiracies between the industry’s hierarchy and respective governments, which most cabbies will have to face in their working lives, as long as they drive a cab for someone else”. More precisely, he pointed to the unfair distribution of both the commercial risks and economic rewards of the one-sided reward system that dominates Sydney’s taxi-industry.

I dislike particularly the fact that there’s a thing called Method Two in the industry, which virtually requires drivers to work for a guaranteed return to the owner. Nothing is guaranteed to the driver. And although there is another method (and I happen to be on it) it’s extremely difficult to get on. That is where you take a pro-rata of what you earn, during the shift. And nothing, again, is guaranteed for the driver. But in my experience, because of that the driver is far better off, particularly given that the driver doesn’t have to pay for the fuel and car wash under that method. And after the Iraq War I’m more convinced of that because it just takes a slight rise in the price of fuel to virtually make beggars of drivers (Murray—M1 bailee-driver—Sydney).
Like Wilfred of the Melbourne focus-group, Murray believed that putting drivers on proper wages and working conditions is the “only way” to solve the existing structural problems “that only stimulate more tax evasion.”

Another TWU member, bailee-driver and taxi-activist, verbalised his “criticism, hates and hopes” for the taxi-industry, in the following manner:

A permanent bailee-driver, here, is entitled to—but rarely gets—holiday pay; sick pay; and some degree of ‘down-times’ when the taxi is off the road. The casual driver gets none of those entitlements. He not only gets no entitlements, but he gets no recompense—in a negative sense—by a reduction in the pay-in, or an increase in the commission, because he is a casual driver. So unlike any other employee who is casual, there is no percentage variation, or differentials, applied to a casual driver. This is one of my particular ‘pet-annoyances’ (Ben—M2 bailee-driver—Sydney).

Ben was adamant that a “decent wage for drivers” should be the most crucial component in the overall determination of the pricing of taxi-fares in the State.

But dreadfully there are no alternatives, because the industrial situation in New South Wales is such that it is the-TWU-or-nothing! You can have associations, but those associations can’t go to the Industrial Commission. So they have no effective power. And why is it necessary to get a considerable increase in fares for drivers? So that, they may have an expectation for securing a ‘living-wage’ in due course and bring them up to at least twelve bucks an hour. Or—as a bus driver gets—fifteen bucks an hour. It’s a long, slow campaign and it’s still going (Ben—M2 bailee-driver—Sydney).

Ben re-emphasised the existence and role of Sydney’s “Taxi-Mafia”—as mentioned repeatedly by the owner-driver (Boris) and the other two bailee-drivers—and acknowledged the power they wield in establishing cab-tariffs (and indirectly the level of income for drivers), while justifying his personal fight for better conditions for cabbies.

The three bailee-drivers in the group shared a widespread belief that the exploitation of drivers is one of main reasons that Sydney taxi-operators are able to survive in the
currently “difficult economic climate”, thus echoing Murray’s remarks about passing all potential market failures and commercial risks on to contractors. Ben also illustrated how taxi-operators are able to tap into a seemingly unlimited pool of reserve labour and recruit people who have no other choice but to take-up marginalised jobs, which are situated at the bottom-end of the unskilled labour market.

I think that it’s currently surviving, and running efficiently, on the basis of exploitation of taxi-drivers. It’s fundamentally a profitable industry otherwise the level of incomes to owners, operators, or licensees would not be as it is. But it is functioning on the basis of exploitation of drivers. Unless that exploitation ceases, there is a fundamental problem. But at the same time, the majority of drivers permit themselves to be exploited, because taxi-driving and in so many cases is a job of last resort. And it’s an entry-job. So you get immigrants; you get students; you get all those sorts of people working in the taxi-industry—for exploitative returns—and largely because they don’t have a choice; largely because it’s tax-free, or perceived to be a tax-dodge. And it’s a part-time, flexible industry. So there are those reasons why it exists, but it is still exploitative! And I believe that something needs to be done about that (Ben—M2 bailee-driver—Sydney).

Ben’s account resonated strongly with the explanation that Wilfred provided in Melbourne. However, the above segment also made a direct reference to the implied tax-advantages of the job and the flexibility that exists under a Method Two arrangement. This does not necessarily mean that Sydney drivers under a Method One contract (a split-commission arrangement in the other States) are better off. In other words, some bailee-drivers may consider that the “total reward” (Mars 1983)—that is, earnings including tax savings, which exist under both methods—is sufficient, and thus are not particularly phased by the lack of alternative remunerative arrangements such as being on wages. However, later in the interview Ben stated his position a lot more clearly by emphasising that “rorting the system” under the Method Two arrangement is a lot easier to do and keep successfully hidden from the ATO.

The owner-driver in the group shared Ben’s viewpoint on the “regulatory nightmare” that Sydney’s dominant remunerative arrangement (the fixed-rental) has created for tax-collectors. He also reiterated that there are some serious structural problems
plaguing the industry. As someone who started out as a bailee-driver himself, he displayed a lot of empathy and compassion for all bailee-drivers who still have to deal with the industry’s harsh working conditions. As an experienced small-businessman and ex-member of the Board of Directors at Taxis Combined (now part of CCN), he believed that the previously attractive career-paths for bailees have disappeared.

Like Dave and Rory (in the Brisbane focus-group), this cab-owner in Sydney was longing for the return of a “cottage-craft-industry” in some form or another. However, the “new moguls of the industry” have turned their backs on experienced cab-drivers, by leaving the small owner-drivers in the cold.

*Now, I think that there is fundamentally a problem in terms of the negativity of the industry. Apart from obviously all the problems I’ve just mentioned, the biggest problem I find is that drivers after 20 years of driving feel obviously that they have no recognition… feel that their knowledge is wanted, because all that experience is invaluable. It isn’t in this industry—not at all!* (Boris—owner-driver—Sydney)

Following his description of the rapid technological and structural changes that have affected the composition of the industry he accused the industry’s hierarchy and politicians of not addressing the fundamental issues that have caused a significant deterioration in standards and professionalism among drivers. “Desperate to have their taxis out-on-the-road on every possible occasion”, the new breed of fleet-managers and investment-owners “no longer care a great deal about who actually drives their vehicles, as long as they make money”. Conversely, during the least profitable or most dangerous periods of the week, their taxis may sit idle in a parking lot. This explains to a certain extent the frequent outrage from consumers who complain about having been left stranded at the CBD’s night-life and entertainment venues during the peak-demand hours for taxis.

According to Boris, specifically economic developments (for example, increases in fuel; higher operational costs; the semi-deregulation of Hire Vehicles; and fluctuating levels of tourism) during recent years have seen the profitability of running a fleet of taxis decline considerably. His personal strategy of getting the industry “back-on-track” would be to create more “demand for the service” and bury the National Competition Commission’s (NCC) initiative to “fully deregulate the issuing of taxi-
licences” once and for all. Nor did he believe that the argument from his fellow-interviewees (creating a “living-wage” for bailee-drivers by “simply increasing the price of taxi-fares by some thirty per cent”) was going to work. According to Boris, the “real solutions” lie in increasing both the desirability of, and demands for, more professional taxi-transport services, by politicians and consumers.

First, the ownership of cab-licences should only involve small owner-operators who are actively involved in driving their cab. That is, “the owner-driver still provides the best level of services because it’s his business and livelihood”. Secondly, the sector should only employ drivers who have a genuine interest in staying in the industry. This could be achieved by developing a “government initiated and properly controlled licensing/leasing-plan” in which professional drivers will eventually own their cab-licence after a period of time. In summarising his lengthy call for renewals he confirmed the typically negative public image that the industry has been saddled with for decades, as follows:

> There are plenty of cabs! We simply… but none of them are making a lot of money, which is not just purely on the structure of the industry. The fact is that demand has fallen! And a lot of it’s fallen because of the decline of the industry and the quality of people in the industry and the service that we provide. It is service, which is so negative. It’s inadequate. The quality…. It’s the dirty cabs; the people don’t know where they go, you know. The whole scenario is there. So the question is: you’ve first got to look at rebuilding the industry. But it’s ‘the chicken and the egg’ as we were talking about before. How do you rebuild the industry—create confidence in the industry?

The data from the study’s interviews did not solve the “chicken and egg” dilemma in any definitive fashion. However, most participants indicated and accepted—one way or another—that the glorious days of a “cottage-craft-industry” have gone forever. In short, most cabbies have conceded and recognised that the irresistible forces of globalisation and McDonaldisation of labour have now entered their game too.

The “Taxi-Mafia” has been aware of the changing climate and new opportunities for revenue a little longer, hence has been re-positioning itself strategically during the last few years. Having lobbied State governments with their controversial viewpoints and arguments for many years, the traditional taxi-depots, service bureaux and large
fleet operators have divested themselves steadily of their ownership and holdings in taxi-licences. They have realised that gradually increasing market-share among taxi-operators and focusing on the supply-side of particular auxiliary services, creates far greater potential for revenue, profit and growth through mergers.

At the same time, the volatile developments that are involved in providing taxi-transport services and their concomitant economic risks can be diminished. The last decade of a Liberal-Coalition government has given the industry plenty of confidence to uphold the bailment-agreements and secure the ongoing exploitation of “slave-labour”. Why would anyone grant taxi-workers employee rights and entitlements when the mainstream trend is going in an opposite direction in the form of individually negotiated Australian Workplace Agreements (AWAs)? Moreover, the costs involved for operators to employ drivers would mean that consumers will, ultimately, have to pay much more for a cab-fare. As was suggested by a participant in one of the groups, this is regarded as politically untenable, as well as “equivalent to economic suicide” for the industry’s operators.

In summary, the main complaint of Sydney’s cabbies was the way all tiers of government have abandoned their focus on (small-business) owner-operators and professional taxi-drivers. This had led to, in broader terms, the mother-of-all-evil—their inability “to earn a decent income”. Instead, governments favour the growth of super-depots and a centralised, computerised technical-infrastructure. However, major capital investment and running costs involved in large service-bureaux cannot be passed on to consumers by raising taxi-fares. Taxi-operators will have to absorb the increases in radio-fees and network charges.

So this is where it comes with the Mafia and where their benefit is. Their benefit is not the interest of the driver. And it’s, to a great extent, not even their interest, these days, to build the work, because you will find that even people like CabCharge are moving from being a payment system, and rely more and more on having their income coming from radio fees.... Simply wages and everything is not going to do it either because there’s not enough money in the industry. Unless you increase fares by thirty percent, there is a fundamental change in the way we structure our fares and no government’s going to agree to it. You will have to ‘club-them-to-death’ to agree with it—not current Australian governments! And the big problem that you have is this
break-up between Federal and State governments. And each State government has got its own interests; each one has got its own political leanings (Boris—owner-driver—Sydney).

Likewise, most owner-drivers and lessee-operators were convinced that the industry would not survive (nor will the State government approve) fare increases of anything up to thirty or forty percent in order to offer bailee-drivers wages and better conditions. According to these cabbies, the combination of poor remuneration for cab-drivers and ongoing legality of Method Two are still providing ample opportunities for tax non-compliance, thus unofficially cross-subsidising the provision of public transport by taxis. However, if the industry was to accept a fundamental change to the bailment-agreement for drivers in Sydney and support the split-commission arrangement (Method One), the anticipated fall in the demand for cab-services by consumers would kill-off the industry. This is an entangled State and federal regulatory dilemma, which is causing an enforcement-nightmare for the ATO.

Until the system is changed to Method One in Sydney, tax-rorting will not diminish because the door remains wide open. Bringing it to Method One would reduce… would re-install a degree of regulation, which would be totally unacceptable and economically undesirable for the industry as a whole. We would die! Because the only people who would benefit out of that is the taxman, who would get an extra billion dollars a year from the Australian industry, while the rest of us starve, unless they get a thirty percent increase in cab-tariffs.

In contrast with the income-base for contracted cabbies in Darwin, Melbourne, Brisbane and Geelong, the takings of most of Sydney’s cabbies cannot be cross-referenced by the ATO against the metered (thus documented) revenue that these cabs produce. This is because bailee-drivers do not have any legally enforceable obligation to declare to the owner how many trips were completed nor how much money has been taken during a shift—as recorded by the taxi’s electronic tariff-meter. In other words, the most common remunerative arrangement for contracted cab-drivers in Sydney provides far greater opportunities for tax-evasion.
Sydney’s Method Two drivers are constantly facing an awkward moral dilemma, which has significant tax-revenue implications. While expressing negative feelings about the industry’s alleged injustices, they were fully aware that their personal capacity to fiddle with their own taxes is far greater than the opportunities for cheating that a bailee-driver has in any of the other States. In addition, these Sydney participants also showed a strong “situational ethic” (Wiegand 2001) towards not only their own tax morality, but in promoting a broader “defence of necessity” (Minor 1981). Effectively, they encourage other cabbies to follow suit and “simultaneously allow successful infractions and permit the retention of [their] societal ‘goodness’” (Ditton 1977: 13-5; cf. Sykes & Matza 1957). The following verbal exchanges will illustrate how one can be excused for breaking the law without causing a great deal of guilt.

[Moderator: What is acceptable compliance behaviour among taxi-drivers and where do you set the levels?]  

Pete: Well, what I personally do, since… you’re not mentioning names or anything? I tend to understate my income for taxation purpose— both income tax and ABN [meaning GST]— I guess, by about—depending on what my earnings are— between a quarter and a half? As far as income tax goes, I just work out what it actually costs to actually pay all my bills and stuff. And I make sure that my stated tax to the Tax Department matches that.

[Moderator: So you work this from the ground up, so to speak?]  

Pete: Yeah. And I make sure that my stated tax to the Tax Department matches.

Boris: But do you take into consideration that eighty-seven cents per kilometre, or is it ninety cents a kilometre these days? Do you take consideration of that? Do you worry about it at all? If you’re declaring less, you don’t meet their ratios?

Pete: No.

Boris: You don’t? You just work it on your methodology? And then…?
Pete: No, I don’t worry because it just can’t be proved otherwise!

Ben: One of the major factors in New South Wales is that Method Two provides for no proof of driver’s income…. And that’s the loophole.

[Moderator: You just get your tax invoice for the negotiated price for that particular day?]

Ben: What you pay-in.

[Moderator: Pay-in, which is $120 or $80?]

Ben: You just pay-in whatever it happens to be for a particular shift.

[Moderator: Okay. Whatever you do above that figure no one has got any control over?]

Ben: No one has any control or any record.

Boris: The only record is of expenses—not of income! This is a fantastic rort!

Ben: And this is a substantial reason why Method Two is being accepted for the last umpteen years in Sydney—even though it is illegal, improper, and has of itself caused drivers’ earnings to decrease—because there is no record of driver income for the purposes of taxation.

[Moderator: Nor is there driver income to justify what he owes—what he pays the owner? In other words, meter-readings become totally insignificant?]

Ben: Meter readings are irrelevant, in Sydney. There is no record of meter readings.

Indeed, how can the ATO enforce proper tax-compliance without having access to reliable means or methods that verify a cabbie’s true earnings? What, if any, foolproof guarantees are there that cabbies will pass on to the regulator the correct amount of GST that is collected from—and has been legitimately paid by—every passenger? How will the ATO be able to convince cab-drivers that voluntary compliance is the preferred form of revenue-collection, as long as they consider
themselves as citizens who feel that their treatment by governments, the trade union movement, depots, cab-owners and clients is unjust, inequitable, marginalising or grossly unfair? Put differently, for Sydney’s cab-drivers the level of voluntary tax-compliance and its prerequisite of “social-based trust” (Murphy 2004) show a strongly inverse relationship.

The above details point to the salience of a mixed-embedded approach to understanding tax-compliance. That is, significant changes to State transport regulations, licensing laws, labour-hire contracts, and so on may not only have serious political implications but also contain far-reaching consequences for the ways in which individual cabbies respond to the changes. Moreover, this section of the analysis has shown how a mal-integration of regulatory measures and enforcement powers, which are inherent in a functional division of responsibilities between State and federal governments, creates unintended loopholes for motivated tax-cheats. In short, people who otherwise operate and work in legitimate businesses are able to utilise structural opportunities that lead to illegitimate actions.

By means of summary, the industry has shifted from accommodating its many small, self-employed and active owner-drivers, to attracting large institutional investors who want bottom-line returns and highly speculative profits on government regulated (and protected) assets. Moreover, the participants in Darwin alluded to possible ramifications vis-à-vis tax compliance if full deregulation of taxi-licences in other States and Territories were to go ahead. Nevertheless, the widespread re-regulation of the passenger-transport sector “through the back-door” in the other States has put great pressure on the viability of all owner-drivers, leasse-operators and contracted-drivers.

In these highly competitive environments most people will look, not surprisingly, for the entrenched opportunities that are available in order to survive, either as operators of small-business or as ‘quasi-self-employed’ (contracted) drivers. In short, for many Australian cabbies, a duty to pay the correct amount of tax voluntarily and to be model citizens did not feature highly on their list of priorities. To the contrary, some degree of tax non-compliance was seen as an essential survival-mechanism and based upon an uncomplicated rationale:
If you are genuinely going to put down everything you earn simply as your income, you will die if you pay the full value of the GST and your full income-tax! Because you are being honest in terms of saying what you have really earned? And may God help any of us who’s honest and gets burned. Because then you will be working for less than a fifteen year old kid at McDonald’s!

(Boris—owner-driver—Sydney)

The final section of this chapter will reflect upon questions pertaining to how cabbies in this study have responded practically to their experiences of powerlessness and disillusionment with the industry’s current developments. They will be presented in the form of subsequent responses, fragments of phrases, and explanatory comments that the informants of the different research locations have provided. This collection of themes will elucidate how they excuse themselves for their “aligning actions” (Hewitt & Stokes 1975) and justify the non-payment of tax, typically by invoking financial-hardship disclaimers and relying on a “need-for-survival defence” (Minor 1981; cf. Sheahan and Smith 2003). In addition, this final section of the chapter will provide an evaluation of how the New Tax System has been received by cabbies and summarises their perceptions of the perpetuation of opportunities for non-compliance it offers.

4.5 The Taxi-Industry: “The Last Bastion of the Tax-Cheat”?

As indicated in chapter one, the Australian taxi-industry has been specifically targeted by the ATO as a suspected pool of tax-evasion and potential source for extra revenue since the early-1990s. The peculiar relationship between bailee-drivers and the operators of taxis has not been resolved favourably for the ATO in a regulatory sense. Consequently, the relatively uncomplicated method of collecting taxes from contracted-drivers by ‘withholding at-the-source’ through their employer cannot be applied (PAYE).

To the contrary, the introduction of the New Tax System, in 2000, has resulted in rather complex business registration (ABN) requirements and the mandatory self-reporting of income by bailee-drivers in the form of submitting regular Business Activity Statements (BAS). Many contracted-drivers did retire at the time, especially among those who had been accustomed to making a few extra dollars ‘on-the-side’ by driving a cab on a casual basis or as a second job. However, after an initial exodus from the industry by bailee-drivers—some industry estimates suggest that
about thirty to thirty-five percent disappeared—the dust seems to have settled, newcomers have entered and some originals have returned.

The final clusters of questions and probes in this study were designed to find out from active drivers to what extent, if any, the New Tax System has influenced their “motivational postures” (Braithwaite 1997) with regard to the procedural treatment of cabbies by the ATO. The other goal was to extract the responses, adaptations and changes of techniques which are involved in cabbies’ tax non-compliance. Put differently, the questions were aimed at uncovering whether or not the promise by the then Federal Treasurer to “recover $4 billion in extra revenue from Australia’s cash economy” (Costello 2004) had an impact on the ways in which cabbies view and have changed their non-compliant practices, as a direct result of the introduction of a GST.

4.6 Geelong
The seasoned informants in the Geelong focus-group believed that business is as usual and that not a great deal has changed. However, they recognised that their indifference may not apply to recent entrants, that is, drivers who have started driving post-July 2000 and are only familiar with the new rules. The leading themes, excuses, suggestions, accusations, sentiments and conclusions can be distilled from the following composition of fragments from the transcript.

All drivers and owners were very well prepared with what their responsibilities.... As far as the general duty for the payment of tax is concerned, everybody knows you’ve got to pay money on your tax, unless your name is Packer or something.... The tax department realises fully well that in a cash-industry, they are never going to get a one-hundred percent compliance rate. It doesn’t matter what kind of industry it is, because that’s the nature of the beast.... What has happened with the industry and what the tax office wants is that, with the GST and the fifty-thousand dollars for the ABN registration exemption, more drivers have become compliant with the income tax side, as well as the GST side. But on the other hand, you have got a driver that earns six-hundred-and-fifty dollars a week, right? He complains and he says: ‘I can’t manage on that money now—whereas in 2000 I could—this is a shit-industry’. I would say to this bloke: ‘You are an uneducated... you can only work as a labourer at Fords or Alcoa or whatever it is’. And to get the
same kind of money, you would have to earn well over a thousand dollars! And at the end of three months you get a bonus of me and your GST. You haven’t paid a ‘skerrick’ in income tax since the whole ball-game started. But he is eventually going to be picked-up, right? And he’s going to be exactly where most drivers are. There’s nothing the ATO can do about it, because he has not got the money—bankrupt—start afresh again! There is absolutely nothing the ATO can do about it! The only people that the ATO are interested in are people like us who have got assets. Because if an owner doesn’t comply they can get back at him (Geelong Focus-Group).

Even though the ATO—with the cooperation of the ATIA—has proposed to develop a type of savings scheme that encourages bailee-drivers to entrust the GST money to their owner-operators, most cabbies have not taken-up the fragile offer. As expressed during the interviews, the main reasons for many cabbies’ lack of interest in the scheme are: distrust of the motives of ATO; the risk of establishing a new paper-trail; complexity; additional costs for taxi-operators; the perception that tax collection is not an owner’s duty; refusal to become unpaid tax-collectors; possible embezzlement by cab-operators; reduced autonomy; and basic anarchistic defiance. A more surprising justification that was vented was that formal GST safe-keeping arrangements would impede existing (informal) methods of collusion between owner-operators and bailee-drivers. This involves the informal collaborative efforts aimed at reducing one another’s tax liabilities, typically on an agreed and pre-arranged basis—that is, historically institutionalised collusion.

However, if the accounts from members in some of the other groups are taken into consideration, the principle behind, as well as the necessity for, collusion or ‘honour amongst thieves’ makes a lot more sense. The deeply entrenched practice can be attributed to the regulators’ capacity to cross-reference financial data of the different parties involved during a line-by-line audit. In other words, if “the fact that some large fleet-operators do not even bother recording twenty to thirty percent of the shifts that their cabs are out-on-the-road” is correct, the paper-work of the bailee-drivers must reflect a similar amount of “rorting”. Alternatively, if “some blokes take thirty percent off-the-top because you don’t get any holiday-pay or super” the paperwork of a cab-owner or fleet-operator will have to contain a similar amount of skimming-from-the-till. These problems would not arise easily where people work under contractual arrangements in which an employer/employee relationship is deemed to exist. And,
since the High Court’s adjudication in the 1998 test-case, the only option left open to the ATO is to introduce regulation or legislation covering cabbies’ formal contracts of employment through a State government or the federal parliament.

4.7 Darwin

The adversarial attitudes and sentiments about the industry’s predicament that were expressed by members of the focus-group in Darwin have already been discussed. Local, Territory and federal governments, together with their regulatory instrumentalities, were viewed with a great deal of suspicion and their respective officers were classified as “incapable cowboys” who do not really understand the inner-workings of the taxi-industry.

The old regime of the “closed shop” system for issuing cab-licences and treating a taxi-plate as a “valuable capital asset in the hands of small owner-operators” worked a lot better for the whole industry, according to them. They viewed the introduction of the GST and its associated compliance measures as “the second nail into the coffin” and regard the New Tax System as one of the primary sources for the “predicted increase in tax non-compliance across the board”.

With regard to tax compliance, these participants were all driven chiefly by a self-proclaimed right to survive and receive some form of professional recognition, while deserving to be treated with a little more dignity by the general public. Their tax non-compliance was neutralised mainly through the “defence of necessity” (Minor 1981) and facilitated by the “relative advantages and opportunities that the cash-intensive nature of transactions” in cabs provide. Compliance norms hardly entered their vocabulary and their already deeply entrenched non-compliant activities will have to be refined even further, if compliance “enforcement activities by the tax department are going to be stepped-up”.

Put differently, for them survival of the fittest is synonymous with “more and better cheating, because the money is not there, but everything else has gone up”. Moreover, the introduction of the GST has “given some of us even more money to play with”, as one participant remarked in a contemptuous tone of voice. His sentiments with regard to the ATO’s efficiency in tracking cab-drivers under the new system were put in no uncertain terms. He asserted that some people “may have got
worried a little and have left the industry”, but many more just adapt their evasive practices and continue to play the “cat-and-mouse game”.

One is still in the industry. His ABN number is his mother-in-law’s phone number and God knows what else! His attitude is ‘catch me if you can!’ And he’s still doing it—he told me. And then she [the ATO’s local field-enforcement officer] got another couple of officers transferred to help her. And we thought this is going to catch-out a lot of the cheats like those multiple-car owners (Clive—lease-operator—Darwin).

One of the bailee-drivers in Darwin—following his decision to quit driving a cab within the next few weeks—stated his future compliance intentions more directly:

I started off taxi-driving behind the eight-ball 10 years ago. I’ll be honest with you. I have never been a saving person. I started out without any cash up-front. And that’s the way I still am today. In fact, I was falling further behind. So much so, that I just had to cheat. I had an opportunity given to me to continue-on with a mate of mine’s business, which provides really good money. And that’s going to be my way-out! That’s going to be my way of ‘fixing-up’ the Tax Office, which is to put money away; and keep putting that away; and eventually ‘fix them up’! But yeah, I am still behind—and I’ll use the term “Shit-loads”! (Percy—bailee-driver—Darwin)

In short, the New Tax System offers ample opportunities for continuing the game as long as there is cash involved. The mere threat of getting caught by one of the ATO’s field enforcement teams at some future point in time does not overly concern nor deter these embittered risk-takers, in general. More significantly, the language that was used by these cabbies demonstrates how Mill’s (1963) seminal thesis on people’s “vocabulary of motives” can be applied to tax-compliance research. Not only have these informants espoused their justifications of non-compliance ex post facto, they have also provided their premeditated intentions and stances with regard to future non-compliance. In doing so, cabbies follow a deeply entrenched “script” (Emmison 2008) that has historically guided their non-compliant actions and has hitherto remained part of the industry’s structures. It might prove to be too difficult for the ATO to change this persistently non-compliant sub-culture.
4.8 Melbourne

The most frequently heard overtones in the discourse among Melbourne’s focus-group participants were those associated with discontent about the ways in which the industry’s structural features have developed during the last two decades. Drivers felt that the most powerful elements in the industry dictate taxi-transport policies that are riddled with self-serving interests and are based upon “fudged” data to Government. In their words, the industry is full of members of the old-boys-network and functions on a basis of “who is in bed with whom”.

At the centre of the blame-game among cabbies in Melbourne was their belief that industry-regulators have deliberately disturbed the composition in the ownership of cab-licences. They have allowed investors and fleet-managers to take over what used to be a cottage-craft-industry, which provided an excellent service and provided by professional and knowledgeable drivers (including part-timers and casuals). As a result, this new breed of cab-operators continues to legitimately exploit bailee-drivers, while increasingly reliant on the slave-labour of newly arrived immigrants and overseas students.

According to their calculations, about half of the active cab-driver population were non-compliant. One participant came straight to the point and was candid about his personal admission of non-compliance:

*Taxi-drivers have come to the point and are at a stage now where they think they don’t have to worry about paying any fucking income tax, because it’s been going on for so fucking long. I’ve got to pay the GST, like anyone else. And the GST... the PAYG tax is a different story. I don’t pay that, right? But I do pay the GST. It’s not my money—I just pass it on. And they should really pay me wages for doing it, because I have now also become an unpaid fucking tax-collector (Wilfred—bailee-driver—Melbourne).*

However, they also believed that migrants and foreign students were the “greatest tax-cheats”. Typically, they blamed the significant ethnic succession of the industry for alerting the ATO to the level of tax evasion among all cabbies. The following fragment will show their misguided attribution biases with regard to the tax morale of the latest intruders:
They don’t mind working for a pittance—for $3 an hour [Loud laughter from all others]. They don’t! That’s right, they don’t comply for starters—they don’t pay the tax, even though they are only there for twenty hours, supposedly per week, which has been discovered to be cheated on, following numerous surprise blitzes by the VTD. There is huge number of drivers that have been driving outside of their time-frame. You know what I think? When these guys leave their countries, they leave the hard times. So they are still robbing to get anything they can get out of it and they use the taxation department—they will rob the tax department, because they would rob everybody blind—they have been brought up like that (Prof.—Owner-Driver).

Students were accused of having no intention whatsoever to even register for an ABN and pay both GST and personal income-tax liabilities. However, immigrant business entrepreneurs were accused of having in place convoluted structures of taxi-licences' ownership and lease arrangements among themselves. Many only employ drivers from a similar ethnic background.

What we’ve got here is a large percentage... we’ve got the Asian and the Indian population – students. They come here, they’ve got half a year to study so they’re taking money and just ship it over to where they come from. Then they drive sixty hours and you never see them again. They work for three years; they just got their course; and they’ve collected $60,000. And $60,000 over there would be living like royalty. You know what they also do? One of the smart Indian chaps goes to one owner; grabs a cab; gives it to his mate—no licence. He goes to another owner; grabs another cab; goes to four people—then he gives him a percentage. They collect the money and he just sits behind the desk and collects the money and pays it in to the owner. He’s not driving a cab! (‘Prof’—owner-driver—Melbourne)

According to the majority of Melbourne informants, the best approach to reduce the extensive opportunities for tax-evasion among cabbies was threefold. First, the industry needs to be given back to taxi-operators/drivers who can only lease one taxi-licence from the State government. Echoing the proposition that was heard in the Sydney focus-group, my respondents thought that a more viable industry can be created by involving only those people with a direct interest in providing taxi-services—small-business people who remain in charge of their own destiny and are rewarded for their considerable efforts. As Boris in Sydney suggested, “an owner-
operator who remains fully involved in driving the cab still provides the best level of service because it is his business and livelihood”. The successful introduction of trunk-operators and free-lancers in Melbourne’s taxi-industry may serve as a confirmation of this fundamental and particularly valid business principle.

Secondly, owner-drivers and lessee-operators will have to accept their role and responsibilities as the formal employers of contracted-drivers and pay them wages, if governments require the services of “quality taxi-drivers”. That means that taxi-operators no longer have to employ people who work “for a pittance” and are prepared to be exploited because “they don’t pay tax”. Moreover, these informants reason that if taxi-operators “cannot afford to pay a driver on the basis of wages, the business is not viable and they will have to leave the industry.”

By cutting-out the $24,000 in “lease fees to the absent-landlords, an operator can afford to pay his taxi-workers a decent wage” and offer better secondary conditions. Their flow-on rationale is that as rewards go up, tax-compliance will improve considerably “because taxi-workers are no longer involved in a daily struggle for their basic survival”. Moreover, by paying drivers a decent wage, the primary need to evade taxes will be chiefly taken away. The “side-benefit for the ATO” is that the costs involved in tax-enforcement will diminish significantly as a direct “consequence of this new employment configuration”.

Finally, the State government’s reformers of the taxi-industry will have to take into consideration a broader, national approach with regard to the unintended consequences that changes at the State-level can bring about, and reconsider their own funding allocations from the federal government. In other words, as much as the State’s regulatory framework requires acknowledgement of the mixed-embeddedness of taxis’ rules, regulations and position in the overall transport infrastructure, transport regulators themselves will have to acknowledge their mixed-embeddedness vis-à-vis the federal government’s requirements and execution of national governance matters. The disturbing mal-integration of State and federal legislation and executive powers needs to be addressed from both directions. These drivers suggest that the solutions to the ATO’s problems in collecting increased revenue from the taxi-industry lie in the execution of a better and adequately integrated regulatory framework, which will necessarily involve a series of industrial
and legislative reforms. As long as these structural solutions are not provided, cabbies are confident that they will be able to continue to work the margins that have been left open and will be able to cheat on their taxes.

For current bailee-drivers, this may mean that the States/Territories may have to exercise their own legislative powers and modernise the industrial relations that have thus far been upheld for the taxi-industry on the grounds of antiquated legal precedents under Common Law. According to these informants, the ATO “botched the 1998 High Court Case”; rushed into the introduction of “ridiculous GST rules for drivers” in 2000; and can only blame itself for the current lack of voluntary tax-compliance that “is costing them ‘squillions’ in revenue”. Many of the ATO’s current enforcement strategies are treated with contempt and perceived as “being totally preoccupied with concerns only on the GST-side of things, so as long as you return your BAS and pay the GST they’ll leave you alone”. Moreover, “you have a better chance not getting caught for tax-cheating than you do at winning the pokies”. These verbalisations are, nevertheless, poignant expressions of cabbies’ popular myths that influence their postures in tax-compliance matters.

4.9 Brisbane
Cabbies’ answers to the final clusters of questions during the Brisbane focus-group showed most strongly the avid contempt that many cab-drivers display towards transport regulators, the leadership of their industry and, by extension, politicians and tax-regulators. However, their expressions also contained a good example of the kind of energies that fuel the fertile grounds and justifications for the industry’s persistent tax non-compliance. In response to a probe about their estimates of the size of the cash-economy and the ATO’s treatment of cabbies by the moderator, the following interchange evolved.

Dave: Well, GST. Let’s face it, it’s here to stay. It’s been ‘in’ three years! They aren’t going to take it off now and it is just a fact of life. It is loaded into the meter. Like, when it first came out, I thought to myself drivers are collecting half for themselves and they’re collecting half for me. So I insist that my drivers, when they pay ‘in’ at the end of their shift. Paying their PAYE tax is their business. I won’t have anything to do with anything like that—their personal affair. And I know my drivers! If I don’t make them pay it in to me—their share—they’re going to come to me at the end of the quarter and say:
'Mate, can you lend me $400, I've got to pay me GST'. So the cash economy...? Read my lips, Johnny Howard said we'd never have a GST—and we've got one. Peter Costello said we were going to abolish all other taxes—and we've still got every other bloody tax now known to bloody man. So don't believe any politicians. But let me tell you this: the black economy is probably twice as strong as what it ever was!

Rosco: Of course it is!

Dave: Not so much in our industry now, because, quite frankly, with our figures and with the commitments to your bloody bank, I can't knock-off any bloody dough, because I've got to pay my bloody bills here at home.... But I've got a son-in-law who is a plumber. And every job he goes to—little jobs—every one of them, the first thing that is said to him is: 'look, this is only a $600 job; I don't want to pay $60 GST; so I'll give you 600 cash'.

[Moderator: So how do you feel about the way the ATO is treating drivers by making them responsible for their own taxes?]

Dave: They threaten them all the time! And they put out all these press announcements. But what do they really do at the end of the day? They are like 'the barber's cat—they are full of piss and wind'! They do nothing—they only threaten!

[Roaring laughter from all participants]

Jacko: Apparently sixty per cent of drivers across Australia are not paying their GST or the PAYG.

[Moderator: Sixty per cent as a national average?]

Jacko: Yeah. They don't seem to be doing a lot about it. These are all the blokes, like me, that put their forms in all the time—that;s the easy part to do. But there are blokes that aren't putting anything in and that does not create any problems for them!

Mervin: Well, I'd like to give my overview of the GST. I know a lady... actually, I won't say that. But I've got a person who's pretty close to it. And this is what
she said: on figures that the ATO have got, eighty-five per cent of taxi drivers Australia-wide paid their first instalment of GST in 2000, and have not paid one since!

[Moderator: Eighty-five per cent you reckon?]  
Mervin: Eighty-five per cent!!

Rory: Well, I reckon it’s their own silly fault for making… for anyone outside the taxi industry, you’ve got to earn $50,000 a year before you even have to have an ABN. But the fucking cab driver has got to have one, irrespective of where… of how much he earns.

Mervin: Look, the average… the average driver cannot afford to pay his taxes.

Rosco: If you’re making four or five hundred bucks a week in this climate and this day and age it’s impossible.

Mervin: And I speak for myself as well. I mean, I’m one of those eighty-five per cent. I’ve got no dramas and no qualms. What happens is, and I know this for a fact, that as long as you put your BAS statement in on time… I’ve never paid PAYG in my entire life! I’ll never pay a cent in tax and while I’m earning what I’m earning…. And every three years they accumulate the bill for the GST and roll it into your own PAYG. And if you haven’t got any assets, you walk down to 340 Adelaide Street and go bankrupt! End of story—and start again!

The above narratives will have undoubtedly contained some degree of bravado and selective amnesia. However, their pertinent messages to the tax-regulator were highly representative for the economic despair and inequities that justify further tax non-compliance. Chapter five will return to the specific tax-enforcement issues and allegations about the percentage of non-compliant cabbies that were raised during the Brisbane focus-group.

4.10 Sydney  
The insights that have been shared during this interview probably contain the most serious implications for tax-regulators. The difficult structural feature of Sydney’s taxi-industry is its Method Two remunerative arrangement, which enables drivers to
cover-up the extent of their tax evasion. Moreover, drivers feel disenfranchised, structurally neglected and abandoned by the very same people who once were fighting governments to maintain a flourishing cottage-craft industry. Furthermore, they feel that the political system and regulators have historically shown very little understanding for the circumstances of contracted drivers. Collectivised industrial action is virtually negligible, ineffective or too hard to organise among drivers who appear to be too lethargic to stand up to their remunerative predicament.

The cabbies in Sydney asserted that, even though taxi-transport services (unlike, for example, trains and buses) are not directly subsidised by governments, they rely on cabbies' tax non-compliance to compensate for low rates of pay and lack of other workers’ entitlements.

*We talked before about the question whether or not we are subsidised? We are—all drivers are subsidised by the taxation process. There is a ‘conspiracy of common interests’ between the State governments, federal government, everyone and they all understand that the only way the industry survives in the current structure, is that everybody—but everybody—is ‘rorting’ the tax system! So they are not only supplying us a billion dollars from this end in terms of subsidising fares, but they are also subsidising us through the backdoor, because they’re simply closing a blind eye—and they have to! Because the moment they clamp on the industry and that the drivers are to be paid the full wages, there’s a double-edged sword. Number one is, obviously, the tax avoidance—the drivers can’t afford to pay full tax. But number two is that they then will have to recognise the fact that there is a major problem in the industry. Because if everybody’s genuinely paying the full amount of taxes, there is a record—there is a statement saying that the drivers are earning less than the minimum wage! And suddenly they’ve got a real problem of having to address it from two ends (Boris—owner-driver—Sydney).*

From the perspectives of this informant, the ongoing exploitation of labour has been exacerbated by the (unintended) mechanism of subsidising indirectly the low returns from the job in the form of tolerating cabbies’ tax-evasion. However, the ATO has either wittingly or deliberately ignored the industry’s entrenched non-compliance for many years.
Only on the most marginal scales have they enforced the whole tax reform package... it’s the only industry where they have totally ignored it. And, again, then there is the problem with the political pressures. The pricing structure is so pathetically low, and because they let it run so long, they had to... if they would have built it up over ten years you would not have noticed it.... I’ve heard ‘we’re going to crack down here; we’re going to crack down there’, but they never do it! They make little incremental steps to.... Everybody is back into it but now the black-economy has been made larger because not only are drivers ‘rorting’ the tax system, you are also ‘rorting’ the GST on top of it. There’s not been a decline... If nothing else, it has become the ‘Last Bastion of the Tax-Cheat’! There’s a great opportunity to survive by cheating. I think that we have actually gone backwards from where we were; compliance-wise we have gone backwards because you will find there are people now ‘rorting the GST’ as well as on their income tax (Boris—owner-driver—Sydney).

They are the same kind of sentiments that have verbalised during other focus-group sessions. The dynamics of “pluralistic ignorance” (Wenzel 2001: 1-2) are detrimental to achieving improvements to already low levels of voluntary compliance. First, the significance of the above statement is not so much whether or not the ATO has ignored the widespread non-compliance from the taxi-industry in reality. More importantly, people’s negative perceptions do have real consequences for the levels of revenue that it seeks to achieve from the industry, in the long term. Furthermore, it puts additional stress and strain on already dubious notions of fairness, including notions of “vertical and horizontal equity” (Taylor 2001).

Secondly, cabbies will talk to many people during their journeys in a cab and the last thing the ATO really needs is for personal testimonies about the ease with one is able to evade one’s taxes to be spread even further. These dominant and generalised perceptions about widespread non-compliance may undermine the tax morale of citizens at large.

Thirdly, seasoned cabbies play a significant role and have a considerable influence on the socialisation process of newcomers to the industry. As Ditton (1977; cf. Mars 1983) shows, for tax-evasion to become the “Everyman Performance Rule” and part of a “moral career”, newcomers have to be prepared to demonstrate that exploitation and extra-long hours can be solved by various “fiddles” pertaining to one’s taxes.
Alternatively people must show that they play according to the approved rules of the sub-culture itself. More importantly, this can be achieved without provoking any forms of civic guilt.

Identity develops separately from the real ‘me’ that each man constructs out of work hours, and as an ‘elementary self’ is not aggregated with other moral experiences in the production of a ‘complete’ self. Thus, fiddling is an activity supported by the part-time self at work, and thus has auxiliary or partial (rather than master) status in the development of each man’s identity… Of crucial importance in any moral career is the presence of significant others… and institutional arrangements… which negotiate the chrysalis self-in-transition through the identity crisis of status passage (Ditton 1977: 17-22).

The deeply embedded culture of non-compliance that exists within the “in-group” needs to be sufficiently quarantined from external attacks from tax-regulators, by passing on successful ways to collude and escape detection from the “out-group”. Conversely, for the ATO to make substantive inroads will, if anything, require cooperation from many significant others who themselves need a lot more convincing about both their perceptions vis-à-vis the fairness of the tax-system and revised notions of “horizontal inequity” (Taylor 2001:8). The major quandary for the ATO to resolve is how to deconstruct the industry’s deeply entrenched defences of “necessity” and “everybody else is doing it” (Minor 1981; Coleman 1994) as the mechanism for the “neutralisation of guilt” (Sykes and Matza 1957).

4.11 Conclusion

Cabbies’ existing remunerative arrangements and peculiar industrial relations continue to create stresses and strains within Australia’s mixed-embedded regulatory spheres. Social relations among stakeholders in the industry are lacking in “social-based trust” (Murphy 2004: 191) while able to rely on the continuation of high levels of instrumentally-driven motives and practices. The cultural framework within which cabbies operate supports their resistance to changing work historical arrangements that provide significant structural opportunities to beat the system. Indeed, as Vidich observed in his analysis of the New York taxi-cab industry of bygone years:

The commission system places the burden of producing an income upon the cab driver. Faced with the fear of economic disaster, cheating becomes the
basic economic crutch to sustain many a cabbie’s income and motivate his enthusiasm… The desire to cheat, or to make money by unethical means, is strictly speaking an irrational outgrowth of the profession…. The dollar sign becomes the burden of proof for all hack friendships (1976: 12).

Having listened to stories about the alleged hardship that the industry is experiencing, one can only arrive at a preliminary conclusion that the job’s tax-advantages still create a mutually acceptable level of reward for owner-operators and drivers. The most significant regulatory dilemma that requires an urgent solution, however, is how to deconstruct and rebuild a compliance culture in which judgements of approval for non-compliant standards and practices conform very closely to those that are prevalent in society at large. Alternatively, it would make perfect regulatory sense to modify the social relationships that give rise to the exploitative features which maintain drivers’ perceptions of injustice, unfairness of the tax-system and senses of “horizontal inequity” (Taylor 2001: 6-8). However, the ATO has thus far been pursuing traditional activities of deterrence and enforcement of sanctions that are based on a “tit-for-tat” regulatory style—“regulation that is contingently provokable and forgiving” (Ayers & Braithwaite 1992: 19-53).

As far as most of my informants were concerned, some of the rules may have changed but the cat-and-mouse-game is fully alive and well. The next chapter will reflect the views of tax-regulators and the ATO’s ideas on how to tackle the non-compliant game that is apparently played in accordance with the dominant code of conduct and rules of the Australian Taxi-Cab League?

Endnotes

1 In accordance with the second endnote that was provided in chapter one, I will refer to three categories of cab-drivers in my analysis. I will use and interchange between the following terms: owner-driver, or owner-operator; lessee-driver, or assignee-operator; and bailee-driver, or contracted-driver. Owner-drivers/operators own the taxi-licence (also called a taxi-plate), the taxi-vehicle (also called the cab) and its equipment. However, the owner of a taxi-licence is also able to assign his or her “right to plye for hire” to a third party (for example, another person, company, taxi-fleet management entity, taxi-depot, or service-bureau) on the basis of a commercial lease agreement. This category of licence-owners is often referred to as ‘absent landlords’. Lessee-drivers, or assigneecom-operators, “lease the plates” from the owner of a taxi-licence and pay the latter an agreed monthly assignment fee. They purchase (or lease/finance) a vehicle and are responsible for all other expenses involved in running and operating the taxi. In contrast, bailee-drivers, or contracted drivers, are people who earn an income only when they drive a taxi for either an owner-driver/operator or a lessee-driver/assignee-operator. The reference to the High Court Case of 1998 throughout this thesis pertains to the outcome of a test-case, which has upheld the common-law relationship between an owner of the taxi and his contracted-drivers, thus is classified as one between a Bailor and Bailee.
Consequently, owners or operators of taxis are not obliged to withhold a driver’s PAYG tax, Superannuation Guarantee Levy or the Bailee’s GST liability.

2 The term “Taxi Mafia” is used by many drivers and owners in Sydney and Melbourne to refer to the very powerful position that the Australian Taxi Industry Association (ATIA) holds as a lobby group and uses its influential network of members on both State and Federal policy-makers. The National President of the organisation is Reg Kermode—a multi-licence owner in Sydney—who is regarded as the Godfather of the industry and, together with ATIA’s national committee members, accused of having prevented bailee-drivers from gaining improved terms and working conditions. The two most significant outcomes for taxi-owners have been the blocking of a deregulation of the national taxi-industry and the ATO’s defeat in the High Court of Australia’s test-case. Reg Kermode is also on the Board of Directors (Chairman) and one of the largest shareholders of CabCharge—a financial institution involved in the facilitation of a (credit and EFTPOS) payment system, communication networks and associated bureaux-services in the passenger-transport industry. CabCharge owns the biggest computerised communication network in Australia (CCN in Sydney), and is steadily trying to take-over the facilities of the remaining taxi-depots in other States.

3 For example, the price for a taxi-licence on the Gold Coast (Queensland) has, according to a local owner-driver, recently reached the $750,000 mark. Regent Taxis is the only major taxi-depot on the Gold Coast; it is serviced by a fleet of approximately 275 taxis (including luxury People Movers) that operate throughout this popular tourist destination. Even though the permanent population has approximately doubled over the past ten years, no major expansion in the number of taxi-licences has been granted. The prices for taxi-plates in Melbourne, Sydney, Brisbane and Geelong have (in spite of the partly successful demands by consumers on State governments to increase the supply of taxis gradually) not declined but are still rising.

4 All States and Territories issue these licences to authorised taxi-depots and/or dispatch centres, as specified and prescribed under the various Transport Acts & Regulations, which are aimed at protecting the general public and passenger safety, in particular. Obtaining an authorised depot-licence is very difficult, as well as always strongly resisted by the already existing service providers.

5 Demand for taxis can fluctuate considerably in big cities like Sydney, Melbourne, Brisbane or the Gold Coast. Large fleet-operators can control the number of taxis that they want on the road to compete for fares, thus offer the limited number of drivers a better chance to meet their fixed-rental. Small owner-driver operators cannot afford to have their single (or two) vehicles not making any return; they will try to have their cabs out on the road on a 24/7-basis to cover depot costs, radio fees and their generally higher overheads. This form of manipulation in the supply of taxi-services contributes to the pressures that consumers have (hitherto unsuccessfully) put on State governments to relax the issuing of taxi-licences. In Melbourne, “Green-Tops” are cabs that have restricted operational hours (from 4.00pm to 7.00am). It is a form of re-regulation in taxi-licences that attempts to alleviate the shortage of cabs during peak-demand.

6 In all other States and Territories where cabbies work on a split-commission arrangement, the metered takings during the shift are carefully recorded and must be submitted to the owner/operator of the car. This paperwork (including odometer readings and paid-kilometres-travelled) is the sole means for determining what a bailee-driver is entitled to. By cross-referencing a driver’s with an owner’s/operator’s figures recorded on paper, the ATO is be able to reconstruct the earnings of a bailee-driver.

7 The ATO is using a deeming rate for establishing the return for every ‘paid-kilometre’ that the taxi has travelled during its shifts. These figures (expressed in dollars and cents per kilometre are revised at regular intervals to account for increases in tariffs for cab-fares, price rises in fuel, insurance, et cetera. However, changing ratios and verification of operational data can also be attributed to the regulator’s steadily increasing intelligence on cabs and owner-operators by drawing upon cross-national comparisons.

8 Skimming-from-the-till (see Wiegand & Rothengatter 1999) comprises accounting and data-recording practices that distort the assessable income figure that is to be declared to the Tax Office,
which reduces the amount of tax payable on income/profit. One particular technique is the (deliberate) under-recording of the actual metered-takings from a taxi-cab vehicle in the operator's administration and log-books that are kept to substantiate the financial data for taxation purposes. Taxi-operators have a reasonable margin within which they can 'diddle the books', particularly in regard to the amount of cash that is collected during a shift. Their margins for the diddling consist of the difference between the ATO's deeming ratios/rates of revenue per occupied kilometre driven ($0.87 per kilometre, including GST, in 2003) and the actual ratio of gross takings/kilometres driven (which could be as high as $1.40 average per kilometre during certain shifts). In comparison, the current deeming rate (2008) stands at $1.06 per paid kilometre.

9 “Blitzes” refer to random and joint enforcement operations that are conducted by officers of the VATD, the ATO, the Sheriff's Department and the Department of Immigration, from time to time. According to the interviewees, about 35 cabs were found to have been abandoned by their drivers following a blitz at Melbourne Airport in 2003, presumably on grounds of fear of prosecution for various infringements and/or people's illegal migrant status (including the overstaying of holiday/work visas).

10 According to one informant, many Arabic-speaking immigrants are financed by the “Arabian Bank” (which advertises in the monthly magazine TaxiTalk) and have bought-up substantial parcels of taxi-licences. Others attract assignment-leases from various plate-owners that, in turn, could be sub-leased further down the (family or ethnic) lines, thus making a profit on the difference between the original leasing fees and the (extra) money that is charged to sub-lessees. Some bailee-drivers do not even know who they work for, which explains their lack of incentive (that is, they do not receive a tax invoice from the lessor for the rental of the cab either) to complete GST returns or apply for a BAS.

11 Here, Taylor (2001) uses the social-psychology literature to illustrate how social dilemmas and principles of equity converge and can also easily cause a major regulatory dilemma, in particular in social groups where “weak grid and weak/partially strong (negative) group dimensions” (also see Mars 1983) exist.

When a subgroup identity is salient, what is perceived as fair or just is determined with reference to what other groups on similar dimensions have. If other groups of taxpayers are perceived to be doing better than one’s own, and this is deemed to be illegitimate and unfair (that is, no obvious reason why ‘they’ should be getting a better deal than ‘us’), this can lead to collective relative deprivation (see Walker & Mann 1987), that is, a subjective sense of collective, group-based injustice (‘we’ have been treated unfairly), generating anger and resentment and a strong desire to remedy the situation (Taylor 2001: 8-9).

12 Vidich refers to Lewis Coser's use of the word “irrational” as he develops it in The functions of Social Conflict. An action is irrational if it is not the most direct and effective means of achieving one’s end. In this case, the implication is that the drivers' cheating is less effective and a less convincing means of negotiating with the fleet owner than union sponsored collective bargaining (1976: 169). The fact that in Australia taxi-drivers are mainly non-unionised, thus independent contractors, does not diminish Vidich's keen insight that there is a direct correlation between remunerative arrangements/conditions and institutionalised cheating practices, including tax evasion. In short, given the structural tensions in the relationship, cheating and rorting the system are perfectly “rational” responses from cabbies who “see themselves as struggling with harsh economic realities in an effort to make a living” (see Sheahan & Smith 2003).
Responsive Regulation: Regulatory Views On Cabbies’ Tax Non-Compliance

The compliance model, which advocates an escalating range of options and sanctions, requires the ATO to make the assumption that the majority of people are ‘good citizens’ and would be willing to comply if they understood the tax system and were treated fairly and with trust. The compliance model requires that the ATO forgive past poor behaviour. Where there is a high risk of further offences they could be subject to monitoring or increased supervision. The ATO needs to work with those taxpayers who generally set out to do the right thing to make it easier for them to meet their responsibilities and to make it harder for others to avoid them (Cash Economy Task Force 1998: 41).

In Australia, constitutional and statutory powers relating to the collection of tax revenue from individuals and corporations are vested in the Australian Tax Office (ATO). Consequently, a research project that investigates tax non-compliance would not be complete unless the views of the national tax-regulator are also taken into consideration. By applying theoretical insights from Bertramsen, Thomsen and Torfing (1991) on the regulation of citizens, the institutional dynamics pertaining to the process and practices of tax enforcement can be made more visible. In addition, it will show that the ATO’s strategic dilemmas are part of a crisis in which different regulatory authorities are trying to transform “institutional forms of societal regulation” (p. 74). Although a variety of perspectives concerning tax enforcement are likely to be found within the ATO, its formal enforcement policies and procedures can be gleaned from interviews with its key personnel.

In this chapter the ATO’s viewpoints on its compliance enforcement measures since the introduction of the New Tax System will be compared and contrasted with the views of cab-drivers. The ATO’s recent enforcement approach is primarily aimed at improvements in voluntary tax-compliance by applying the compliance model that was recommended by the Cash Economy Task Force (ATO 1998: 58). The model is underpinned by a belief that “industry and community groups should be encouraged
to develop their own solutions to the problems posed by the cash-economy that affects them” (ATO 1998: 45). The ongoing relationship between the Australian Taxi Industry Association (ATIA) and the ATO is the result of their previous cooperation. As such, the relationship is an integrated part of the tax-regulator’s dialogue with community and industry-specific partnerships in order to curb the taxi-industry’s flourishing cash-economy.

Since the late 1980s and early 1990s, tax-regulators have been developing new ways to collect revenue by using more persuasion (“carrots”) and fewer deterrents or “sticks” (see Ayres & Braithwaite 1992). The current regulatory measures are underpinned by the ATO’s aim of converting a hitherto problematic population of taxi-drivers into citizens who will internalise appropriate compliance norms and automatically regulate themselves. As Roach-Anleu notes:

> Self-enforcement appears effective due to the relative low compliance costs…. Embedding control in diverse aspects of the social structure means that compliance and conformity become consensual... and the maintenance of order is established as a voluntary activity (2006: 90-91).

The Cash Economy Task Force’s proposed “responsive regulation” (ATO 1998: 63) requires permanent consultation with all stakeholders. The Taxi-Industry Partnership (TIP) can be viewed as the ATO’s strategic response to monitoring the industry’s cash-economy by establishing a stronger regulatory presence within the social relationships that exist within the taxi-industry. The partnership has made significant contributions to developing administrative procedures more cognisant of the cab-industry’s composition of taxpayers.

The High Court’s test-case (1998) on the employment status of cabbies was the first indicator of the tax-regulator’s desire to maintain a more permanent dialogue with stakeholders throughout the taxi-industry. The Taxi-Industry Partnership’s main objective is to implement satisfactory ways for dealing with the legal, practical and administrative implications that the High Court’s ruling has created for taxi-depots, owner-operators and cab-drivers. Furthermore, the dialogue has guided the implementation of the New Tax System’s regulatory measures and produced an extensive ATO-funded information and assistance programme for the taxi-industry.
This campaign was characterised by holding numerous information sessions Australia-wide, the provision of free computer software for adequate record-keeping, and the running of workshops on the lodgement of Business Activity Statements and annual tax returns. The consultation between the ATO and the ATIA’s representatives is also responsible for refinements to industry-specific compliance measures—for example, the ATO’s 2003 Tax-Ruling that allows cab-operators to safe-keep a driver’s share of the GST.

The main point about hegemonic processes of obtaining consensus among all stakeholders is to recognise that they involve arbitrary choices on certain measures and not others. Cabbies have not directly been involved in, nor consulted about, the design of the tax-enforcement measures under the New Tax System. As discussed in the previous chapter, they remain sceptical about the ATIA’s claim that it is representing the interests of Australia’s taxi-operators, depots and the majority of ordinary taxi-workers. Some focus-group participants expressed concern about the ATIA’s conflicts of interest by accepting funding from the ATO for the 1998 test-case, while providing technical assistance to the regulator. Other drivers felt that the close relationship between the ATO and the ATIA has let them down and that tax-bureaucrats can be held responsible for the failure to achieve employee-status for Australia’s cabbies. Their frustration and negative perceptions about notions of “distributive and procedural fairness” (Taylor 2001: 8-9) continue to be an impediment to the ATO’s enforcement tasks and revenue-raising activities.

The main reason for seeking the participation of ATO operatives in this research was to be able to compare and contrast the ATO’s formal views with cabbies’ perceptions and experiences. The ATO’s model for responsive enforcement is likely to contain contradictory elements that not only influence the tax-regulator’s relationships with particular taxpayers, but also affect the organisation’s culture itself (see Shover, Job and Carroll 2001). These latter contradictions are often caused by tensions that arise from the development of substantive tax-policy reforms and their implementation by operatives who may not agree with the objectives. Regulatory tensions can be exacerbated by a formal separation between policy-making by a federal (centralised and prescriptive) bureaucratic organisation at a national level and the discretionary interpretation or execution of enforcement measures by officers who are situated at different local, regional and operational levels. The juxtaposition of State and federal
regulatory processes may hamper a smooth acceptance of seemingly objective and well-intended tax enforcement measures.

The analysis of primary data that reflect the stressful relationship between the ATO and taxi-drivers is based on an in-depth interview with the ATO’s National Manager of the Taxi-Industry Partnership Team (TIPT). The responses to a pre-submitted interview schedule (see Appendix 1) incorporate feedback from a number of other ATO personnel in different States and the Northern Territory who have been involved in an industry-specific, national enforcement approach. Consequently, the analysis of the interview with one of the ATO’s national senior executives involves a much wider range of experiences and intelligence on the taxi-industry that has been collated by the team since the early 1990s. As such, it can also be argued that the interview’s primary data represent the ATO’s formal views.

Secondly, the analysis incorporates research by the Cash Economy Task Force (ATO 1998: 7-13) that was developed to provide a better grasp on the forces contributing to high levels of non-compliance among taxi-drivers. The 1994 Taxi-Industry Project’s findings resulted in a range of publications in regional industry magazines—for example, Taxi Talk in Victoria or Cabbie Magazine in New South Wales and Queensland—focusing on communication strategies to improve cabbies’ attitudes and their cooperation with the ATO. Furthermore, the ATO conducted intensive audits and business reviews that have produced key-indicators and national benchmark figures with regard to taxi-driver incomes and the operational costs of cabs since 1995 and 1996 (ATO 1998: 7-8). The ATO continues to be a regular contributor to industry magazines, including the production of press releases and information bulletins/flyers to taxi-depots. Research on these secondary sources throughout my active involvement with the taxi-industry has been incorporated in the analysis.

Thirdly, the analysis of the ATO interview incorporates my personal involvement with the Taxi Industry Project Team in the late 1990s. During this period, the ATO sought feedback from many stakeholders in the industry to refine the profiling as recommended by the Cash Economy Task Force (ATO 1998), which was based upon earlier research by Braithwaite (1995; 1998) and Ayres & Braithwaite (1992). The subsequently developed taxi-BISEP factors are a tool that ATO operatives
continue to refine and use to gain understanding of the interacting forces that influence the outcomes of its strategies and taxi-drivers’ responses. The acronym BISEP generally stands for the following environmental factors that influence taxpayers’ behaviours: Business profile; Industry factors; Sociological factors; Economic factors; and Psychological factors. It is a tool and integral part of the ATO’s overall “Compliance Model”. This nationally applied model consists of three interdependent components: BISEPs; Attitudes to Compliance; and Compliance Strategies (ATO 1998: 25). Further recognition of the industry’s specific BISEP factors has, since 1998, been fully integrated into the ATO’s targeted enforcement operations.

Lastly, the analysis will involve data from interviews with other ATO personnel in Canberra, Melbourne, Sydney and Darwin, as well as from notes and conference papers that have been published by the Centre for Tax System Integrity (CTSI). The CTSI has produced and published a wide range of working papers, covering recent research on tax-compliance (http://ctsi.anu.edu.au/publications/WP/WPlist.html). By combining and drawing upon these different sources, I have been able to contextualise the ATO’s formal views as expressed during the interview with the National Manager of the TIPT.

5.1 Australian Cabbies: The ATO’s Views
The interview commenced by recapitulating some historically significant developments and events leading-up to the government’s decision to implement quite specific enforcement measures for the taxi-industry. This component consisted of summarising the regulator’s activities and enforcement initiatives since the classification of the taxi-industry as a high-risk environment for tax non-compliance. The infamous 1996 target-audits on cabbies by the ATO (1998: 7-8) had harvested $488.1 million in returned additional taxable income. The introductory remarks also covered the period leading up to the introduction of the enforcement measures that took effect from July 2000, while acknowledging the subsequent implications of the joint ATO/ATIA 1998 test-case and the High Court’s final decision regarding the legal status of cab-drivers.

The purpose of the interview was to seek the regulator’s formal views on the possible links between tax non-compliance and the structural features of the industry. The
opening statements show how the ATO justified its decision to apply specific regulatory measures for cabbies following the federal government’s decision to introduce a GST, as part of its 1999 re-election promises for national tax reform.

[Interviewer: My research is trying to establish if there are any links between… the structural features of the industry—the levels of remuneration and working conditions—and tax non-compliance…. Which factors do the ATO believe contribute primarily to the relatively poor tax compliance among cab-drivers?]

There are probably a couple of things…. The history that you have recounted is essentially right. Since the High Court and the Federal Court cases, the issue of the relationship between the operators and the drivers, as they are called in taxi-speak…. The Tax Office’s position is certainly that it no longer has a view, whether it wants to or not, because the precedent of the High Court… determines the Commissioner’s position. On the public record is that the ATO, in fact, funded a test-case…. The outcome, therefore, like any process [is that] we have got to accept the outcome…. Until the introduction of GST and the Cash Economy Taskforce of 1998… there was a range of industries identified because of the income tax cycle, I think from memory 10 or 15 industries, where because of omission of income (particularly cash-in-hand) and problematic record-keeping…. Within an income-tax environment where there was a once-a-year-lodgement… the taxi-industry allowed for skimming and all sorts of inappropriate behaviour.

The unusual relationship between taxi-operators and drivers is the first structural factor that was mentioned. It was followed by the ATO’s recognition that the historical image of the taxi-industry was synonymous with “skimming” and all sorts of inappropriate behaviours. The latter activities were possible because of an almost total lack of record-keeping by owner-operators and drivers until 1996 (ATO 1998: 8). Furthermore, the enforcement activities of the early 1990s broke the ATO’s apparent tradition of not pursuing cabbies for their non-disclosure of income. While displaying an excellent understanding of taxi-jargon and insight into the essential differences between taxi-owners, lessee-operators and bailee-drivers, the ATO’s disappointment with the outcome of the High Court test-case of 1998 was apparent. The opening statements also verified that one possible option that the ATO has (and could execute) is to re-regulate the relationship between taxi-operators and drivers.
The distinction between the pre-GST and the post-GST period was made to highlight pertinent features of the taxi-industry that may contribute to the poor compliance record of taxi-workers. The main implication, however, is that the ATO has given the consequences for introducing the GST due consideration from an administrative point of view alone. The segment also acknowledged the awkward position of bailee-drivers who are responsible for their own tax affairs as an immediate result of the test-case. The interviewee’s implied personal frustration is about the ATO having to administer a national enforcement approach pertaining to an industry that is predominantly the jurisdiction of State and Territory regulators.

The following exchanges involve the main components of the ATO’s regulatory dilemma that has been created by a legislative framework—which I have characterised as ‘mixed-embedded’—and its associated regulatory capacity to implement a national tax-compliance model.

The real issue is that since the introduction of GST under Div. 144 of the Act... because of overseas experience... it was deemed that the taxi-industry or those who provide taxi services... needed to register for ABN and GST for a couple of reasons. On the public record is the overseas experience... you end-up having GST and Non-GST cabs, which is pretty confusing for businesses and individuals and cabbies. With a relatively low threshold, which Australia has compared to overseas (a $50,000 turnover) the normal requirement is to register for GST.... They are the only service or enterprise for which there is no threshold. And the reason for that is Div. 144 [of the GST Act], which quite specifically isolates, or focuses on, those who provide taxi services and turns every taxi-driver who’s not an employee—and that’s 99.9% of them—into a small-business-on-wheels. So the move into the GST triggered a couple of things.... The first is: it made tax more directly relevant to taxi-drivers, whether they wanted it to or not, because there is no discretion to register for ABN/GST. Then, because of the related BAS and PAYG obligations, we are bringing a whole range of people into the tax system who at minimum had a problem once a year and now, in fact, they will have a problem either monthly or quarterly. They needed to be aware of all sorts of obligations.... The second is the legal position in terms of the bailment arrangements.

[Interviewer: Independent contractor status?]
Independent contractors, et cetera.... The third factor is probably that it's one of the few industries—in the scheme of things—that in fact are a national service [industry] but are regulated by State governments. So that State regulation makes them unlike many others. There are actually some subtle inconsistencies in... between the driver and the operator, as well as within other State and federal obligations. Even how the fare is calculated or the split with the driver and the operator.... There is also an overlay in each State because of the licensing arrangements to buy [lease] a State-plate, or to buy a taxi-licence. Each of those arrangements is subtly different and administered differently. So I think there are some peculiar features around the nature of the industry. It is what I would call borderline regulated; it's regulated by a range of people, rather than one core, single regulation. From a driver's perspective that can make very little difference because the shift from one State to another is relatively small. But I think it adds to the confusion for a regulator, of needing to come up with a minimalist approach. We need to make sure, at least in our area, that any approaches are universally applied so that there's no disadvantage of [defining] income differently from one driver to another.

The ATO states that one of the intended consequences is to make registration of an Australian Business Number (ABN) and a regular lodgement of a Business Activity Statement (BAS) compulsory for every cab-driver. The industry needs a universally applied core of regulation, rather than borderline measures. It is the first logical step in mitigating cabbies’ long history of non-compliance by forcing them all into the tax-net. Coincidently, the ATO’s viewpoint is almost identical to the discourse that drivers and owner-operators developed during the focus-group sessions. Furthermore, the above segment demonstrates that the ATO has gained considerable knowledge about the subtle differences that exist among drivers and operators on a State-by-State basis.

The problem that remains is how to implement an efficient, ‘one-size-fits-all’ tax-enforcement mechanism in such a diversified regulatory environment. The ATO seems to have sought an administrative solution by recognising that the legitimacy of tax collections depends on a more accurate determination of income for each and every taxpayer. That is, by having access to proper accounting records to verify the true takings of every cabbie, the ATO would be able to ascertain both their GST and PAYG tax-liability on a more reliable basis. More significantly, by turning every cab-
driver into a small-business-on-wheels (as stated by the interviewee), the change in the social and economic relationship between drivers and taxi-operators would provide a further mechanism and extra opportunities for cross-referencing\(^3\) by the Tax Office. Preferably, all cabbies need to register for an ABN in order to legitimately operate a taxi-cab and become professional drivers. As a consequence, the ATO’s monitoring or increased supervision will then have been established legally and effectively.

Indeed, the ATO’s prescribed legal requirement for every Australian cab-driver to register for an ABN has created a more efficient form of surveillance on activities by people who would previously drive without declaring their income. Furthermore, by increasing its “proximity” (see Gibbs 1998), it is possible for the ATO to improve the level of core-compliance, enhance its frequency of contact with cabbies, and establish an early-warning system for suspected non-compliance. That is, rather than chasing suspected tax evaders by means of labour-intensive audit procedures retrospectively, the non-lodgement of Business Activity Statements would be flagged automatically and tax non-compliance can be acted upon at a much earlier stage. However, this potentially more efficient form of surveillance does not necessarily mean that compulsory ABN registration will be followed by a driver’s regular and voluntary submission of Business Activity Statements to the ATO.

One of the main issues for bailee-drivers in the focus-groups was that they had no real interest in the ATO regarding them as people who run their own small-business. Most cabbies want to be paid a decent wage as employees. For those bailee-drivers who feel strongly about the overall unfairness of the New Tax System, the new mandatory requirements were interpreted as the ATO’s taking revenge for losing the 1998 test-case. Consequently, the new compliance measures remain framed as a fixing-up of cabbies for once and for all, even though cab-drivers were neither represented nor an acknowledged party in the High Court’s proceedings.

In addition, the introduction of the New Tax System’s mandatory ABN registration has scared a large number of experienced drivers away permanently. The generally accepted cultural understanding with regard to the tax-free benefits of driving a taxi had been threatened. The resultant shortage of quality drivers is slowly recovering by the recent increases in the number of NESB entrants into the industry. The gradual
shift in the composition of the industry’s workforce and ethnic succession among cab-drivers may lead to a new set of regulatory dilemmas. One of the ATO’s main tasks will be to establish a desirable tax-morality and to counteract culturally different evasive practices.

5.2 “METHOD TWO” Complications?
At this early stage during the interview, I raised the confident assertions by participants in the Sydney focus-group that the tax-regulator has no means, whatsoever, for determining the income of Method-Two bailee-drivers accurately. To the contrary, since meter-readings and the detailed recording of a driver’s takings are irrelevant under this method of remuneration, the ATO can make only arbitrary judgements about their income declarations. Consequently, the process for defining incomes of diversely located cabbies is far more complex than is generally acknowledged. However, the ATO’s formal stance on this regulatory limitation was a little surprising.

I wouldn’t say that causes a particular problem. It’s just the fact that there are different arrangements. And the only reason it’s becoming increasingly difficult is the frequency with which tax-decisions, that is, GST payments have to be made. If you go back to the old shoebox days… while the sort of decision, for every business, was: whatever I’ve done throughout the year, just sort it out between July and October. Now there are decisions and lodgements and obligations on the driver: do I lodge a BAS or do I not? What do I claim? How do I claim it? How do I substantiate it? Where’s my refund? So, there’s a greater frequency of decisions; this makes the decisions more real-time. And that’s what causes the problem, rather than a particular [remunerative arrangement]…. It’s not that one State, or even one sub-option has tax implications. It’s just more that there are differences…. It’s probably more the frequency of obligation for a driver who is deemed to be an enterprise, and that in a real sense they actually have to do something.

[Interviewer: They will have to lodge it?]

Yes. And a decision to not lodge a BAS creates an issue. It pops-up on the radar. The same as if they have some claims or refunds…. They have to participate in the system.
The first point to note is that the interviewee did not quite address the issues that arise from this dominant contractual arrangement between drivers and cab-owners in New South Wales. Following a long hesitation, his response went straight into a promotion of possible efficiency improvements for cabbies (that is, to assist them in organising their paper work and tax-records more effectively and frequently). The response also by-passed suggestions by cabbies in Sydney with regard to the irrelevance of taxi-meter readings and a driver’s lack of incentive to maintain accurate records of earnings.

To the contrary, drivers who operate under a Method-Two arrangement appear to be in no great hurry to increase the frequency of contact with the ATO (to declare details of income). In addition, refunds (tax-input credits) do not really apply to most drivers, and compliance decisions that were made in the years prior to the compulsory lodging of Business Activity Statements have remained chiefly unchanged. In short, they continue to be based on the inherently structural opportunities for tax non-compliance that this particular contractual arrangement offers.

Nonetheless, the national tax-regulator still faces inconsistencies regarding the legal status of cab-drivers in all States and Territories. In turn, these differences create operational difficulties for more effective tax-enforcement measures (incorporating the potential matching of databases of transport regulators at the non-federal level). The solutions, therefore, lie partly within the political realm. Problems can only be resolved more effectively, if all tiers of government that are responsible for regulating taxi-transport services cooperate with the ATO. Following the outcome of the test-case, the ATO may now have to rely solely on Australia’s State and Territory governments to put in place legislation that deems cabbies to be employees to all intents and purposes. That is one way in which they can draw every driver into the PAYG tax-net and hold employers (taxi-operators) formally responsible for withholding both a driver’s income-tax obligations (PAYG) and the collected GST.

Alternatively, the ATO could reconsider its position vis-à-vis the ATIA. That is, it needs to explore other avenues to establish a formal employee-status for drivers, and thus possibly break its earlier promise not to utilise federal legislation to tighten the industry’s tax-net. As was indicated, the Commissioner’s Tax-Ruling with regard to the notion of “alienation” can technically be used to decree that all “drivers who
earn eighty per cent or more of their income from bailing-a-cab are, strictly speaking, employees”. However, any required legislative amendments would undoubtedly meet renewed opposition and the extensive lobbying of the federal government by the ATIA.

As indicated during the various focus-group interviews, any attempt to turn bailee-drivers into employees could, if successful, send many small operators to the wall unless fare structures are substantively adjusted. The regulatory dilemma for the ATO arises from the fact that currently only State/Territory governments can approve fare adjustments but are unlikely to do so for political reasons. In economic terms, the flow-on effects of changing the status of cab-drivers to employees would inevitably result in significant price increases of taxi-fares, which are sensitive to public demand.

The ATO could try to expand its cross-referencing powers and surveillance techniques with more cooperation from transport regulators in the States and Territories. These could be similar to previous enforcement initiatives which had tracked down numerous cab-drivers who were actively involved in driving, but had not reported their earnings to the ATO over an extensive period of time. Cabbies in Victoria, for example, were caught by the ATO’s request to the Victorian Taxi Directorate (VTD) to disclose the personal details of all taxi-drivers whose taxi-licence number appeared on the Multi-Purpose-Taxi-Programme (MPTP) claim doockets that eligible passengers had completed. By matching the names and addresses of drivers against records on the ATO’s tax-rolls and cabbies’ lodgement history, many received additional assessment notices and penalties for their historical non-disclosure of income (ATO Officer Melbourne). Nonetheless, this coerced formalisation of a cabbie’s tax obligations may cause a further exodus of drivers from the industry, who may consider the “overall reward” (see Mars 1983) for their efforts not to be worthwhile any longer.

Finally, in a regulatory environment where (at the time of the GST transition) there were some three million more tax-file numbers in circulation than there were taxpayers Australia-wide, the ATO’s base-line estimates may be too imprecise (see Wiegand & Rothengatter 2000). Consequently, how will the ATO be able to establish exactly where, and how many, eligible BAS lodgers there are among the notoriously
inaccurate numbers of currently active taxi-drivers? The answer could be quite simple: by cross-referencing more consistently with the databases from other federal departments—such as social security files (Centrelink)—or with data kept by the taxi-industry itself. More significantly, tax-rolls can be matched against the accurate records of the active driver population that are kept by transport regulators and enforcement agencies at every State and Territory level. For example, it would be relatively straightforward to ensure that a driver’s taxi-licence number (driver’s certificate) be directly linked to the mandatory ABN registration, before any driver could operate the cab’s tariff-meter or gain access to the depot’s radio-computer communication network. The technology to monitor every move, position and financial transaction that takes place in a cab is already in use, at least in taxis that are equipped with a computer-GPS terminal. The recording of shift-data by depots or service-bureaux would establish a “paper-trail” (computer log-in files) for the ATO to follow. In any case, the best position for the ATO would be to have direct access to the heart of every taxi-cab—it’s sealed tariff-meter—which collates financial and other logistical data for each shift.

However, such measures would require cooperation from State and Territory transport regulators, particularly with regard to satisfying privacy protocols. The so-called blitzes, mentioned during the Melbourne focus-group, are a good indicator that joint operations between the ATO, the Department of Immigration, the Victorian Taxi Directorate and the Sherriff’s Office can widen and tighten the net on a whole range of criminal activities. As such, boisterous claims by participants in Sydney’s focus-groups about their ongoing “rorting” of the tax-system and calling the taxi-industry as the “last bastion of the tax-cheat” need to be taken with a grain of salt. The question that remains is why the ATO has not been able to gain more support from transport regulators at the State/Territory level to formalise the national ABN registration of cabbies while linked to their Driver’s Certificate (DC) or Taxi-Licence?

Nevertheless, the richness of the ATO’s views expressed, thus far, was surprising. They also exposed the ATO’s frustration about the division of enforcement powers that obstruct a bi-partisan solution to reduce tax non-compliance among taxi-drivers. Indeed, the ATO’s remarks went to the heart of many problems that the mixed-embeddedness of State and Territory regulations produces for the federal tax-regulator. Even though the ATO would like to treat the national taxi-industry as a
unified, undifferentiated entity and implement a minimalist approach vis-à-vis the tax obligations of some 75,000 individual taxpayers, it does not have the legislative powers to do so.

The idea that the ATO could implement a standardised national income formula among cab-drivers is unrealistic. The daily takings from cabbies differ quite considerably on a State-by-State basis. The income of a (part-time) country-Victorian cabbie, for example, is nowhere near the amount a (full-time) Sydney cab-driver can make during a shift. There are even considerable differences between the night-shift and day-shift earnings of cabbies who work in the same location or taxi-zone. Additionally, locally specific “environmental factors” matter very much to income-earners who are now forced to make “more frequent decisions” about whether they are in or out of the tax system (TIPT interview). Consequently, the use of benchmarked ratios, odometer readings and national averages in the earnings of a cab, are unreliable tools for determining the individual incomes of diversely located taxpayers. More significantly, the formally sanctioned commission arrangements that vary from State to State continue to provide the inherently structural opportunities for tax non-compliance.

In summary, locally specific “environmental factors” matter more to taxpayers than their obligation to pay the correct amount of tax. And as long as there is cash involved in driving a taxi, the tax-system can chiefly be circumvented, anyway. The focus-group sessions have shown that perceived low levels of income (that is, vertical and horizontal distributive inequities) and tax non-compliance are strong correlates that have immediate compliance consequences. If tax-compliance enforcement strategies based on a minimalist approach are a little naïve, they may be doomed to failure from the start.

However, as will be discussed later the interviewee was paving the way for a possible institutional solution for the ATO’s regulatory dilemma. That is, making taxi-drivers more tax compliant can be stimulated by turning individual compliance into additional collective GST revenue. More significantly, the ATO entertains the possibility that its primary aim is to achieve merely some level of contribution, rather than recover dollar-for-dollar revenue from every individual taxi-driver.
5.3 Cooperative Measures

That the ATO’s flexing of its financial muscle before the various courts during the 1990s did not lead to a regulatory solution, nor implementation of more effective measures to diminish the most common tax “rorts”, was well known to industry participants (see Sydney focus-group). To the contrary, the taxi-industry’s governing body had effectively delayed a possible breakthrough in addressing the regulatory ‘shemozzle’ and the industry’s abysmal tax-compliance record. The ATIA had also escaped the full de-regulation of taxi-licences in spite of the funding arrangements that were negotiated with the States with the federal Keating Labor government in 1995. That is, disbursement of revenue to the States and Territories under the federal government’s Grants Formula was subjected to the former parties signing-off on additional reform recommendations with regard to National Competition Policy. The 1996 election and subsequent re-election of the Howard Liberal-Coalition government put the previously recommended deregulation of the taxi-industry on the back-burner, while the political debate swung to other aspects of tax-reform and introduction of a GST.

Before elaborating on its new GST measures and their benefits in more detail, the ATO summarised some salient aspects of cabbies’ historically entrenched non-compliance. It recognised the distinction between main forms and categories of tax non-compliance, while demonstrating a sound knowledge of different developments at the depot-level and the composition of the industry itself. The discussion included a detailed regulatory justification for pursuing tax non-compliance by cab-drivers. In addition, the structural impediments to better “voluntary compliance” (ATO 1998: 35) by people in the industry shifted from environmental factors to social demographics and personal or psychological factors that makeup the profile of an average cabbie. Nonetheless, blame for a mal-integrated enforcement system was gradually ascribed to this particular category of taxpayers who, in the eyes of the ATO, are “well and truly down the food-chain”.

According to the ATO, the salient factors for the poor tax-compliance record among cabbies have not changed a great deal since the introduction of the GST. Furthermore, the interviewee conceded that the ATO’s observations are not particularly scientific, but that cabbies’ poor tax-compliance behaviour is the direct result of the low status of the job.
I think it boils down to the fact that most taxi-drivers don’t actually see taxi-driving as a profession or as a proper job. It’s a fill-in. Secondly, even though the industry is doing significant work on driver education, professionalism, linking it to the tourism industry, et cetera, the margins are so small; there’s not really a lot of incentive for the driver to be particularly professional. And conversely, the industry itself struggles with driver-turnover: ‘I am not in business, so therefore I don’t need to think like a business. Even if I am in a business, my returns are so small it doesn’t matter’. And then you’ve got the normal BISEP-type problems, opportunistic non-compliance and also situational non-compliance; that is, ‘because everybody else is doing it’.

The first aspect of this apparent form of offender-profiling is that perceptions about the job and the alleged characteristics of taxi-workers are general observations. Historically, many part-time drivers were prepared to drive a cab because it used to be treated as tax-free income. Prior to the early 1990s, the non-declaration of income was a deeply entrenched and generally accepted practice throughout the industry. Consequently, tax non-compliance was seen to be condoned and hardly ever pursued actively by the tax-regulator.

The ATO’s change of heart explains, to a large degree, the rapid exodus of cabbies when the first round of intensive auditing of cabbies started and continued until the introduction of the New Tax System. However, the above views do not recognise clearly the broader structural factors that cause taxi-workers to regard their work (often initially) as a fill-in rather than as a long-term career or permanent occupation. As discussed in Chapter Two, some drivers choose to drive only when they need the cash and have no intention to pay any tax whatsoever. Others view the job as an acceptable life-style arrangement, a form of transition or as an avenue for downshifting (The Australian Weekend Magazine, March 13-14, 2004: 14-17). Some have very few opportunities to find suitable employment elsewhere and use the taxi-industry’s “low entry-barriers” to earn some form of income as a last resort (Kloosterman et al. 1999). This latter motive also explains the recent ethnic succession and the industry’s increased use of visitors and students from overseas countries to fill the vacancies and shortage of drivers in large cities.
As a general observation, the ATO recognised that for many drivers the anticipated temporary nature of the job does not stimulate professionalism or offer long-term career prospects. More significantly, forcing cab-drivers to regard themselves as operating a small-business, keep detailed records, as well as submit income statements (a BAS) on a regular basis, does not accord with many drivers’ expectations or incentives for driving a cab in the first place. Proper tax-compliance hardly ever rates in their complex mix of motives and incentives.

On the other hand, the powerful industry lobby (ATIA) has been successful in convincing the tax-regulator that it is working hard to improve the negative compliance image of the national cab-industry. However, the ATO’s views show little overlap with the accounts of owner-operators about how they view and treat their drivers. In contrast with the ATO’s view that the industry is doing significant work on driver education and promoting professionalism, stories from drivers about their actual experiences gave the opposite impression. In addition, recent media reports about the deterioration in the quality of drivers and taxi-services contradict the professionalism that the industry has been promoting to both transport authorities and tax-regulators during the last decade.

Negative economic trends, increased competition, shrinking profit margins and a continuing chronic shortage of quality drivers during recent years, continue to contradict the ATIA’s positive outlook for the industry. A case in point is the CEO of the Victorian Taxi Association (VTA) who admitted publicly that the (Melbourne) taxi-industry was “in serious strife” while blaming Victoria’s transport regulator (VTTD) for its lack of enforcement initiative (Sun-Herald, March 10, 2004). Likewise, tensions have arisen in NSW between the State Government, the Department of Transport (DoT), the NSW Taxi-Council, IPART and the TWU/Drivers’ Association. The disputes are about a wide range of issues that are likely to cause further deterioration of taxi-services in Sydney (Cabbie Magazine, Vol. 5, Issue 2, 2004). Additionally, the taxi-industry in, for example, Melbourne and Geelong, has been featured regularly in the media for the alarming increase in racially-based controversies pertaining to cab-drivers. Consumers are apparently up-in-arms about deteriorating levels of service. According to the ATO’s interviewee, the “taxi-industry is losing its base level—mums and dads, because of the [increases in] fares, the GST and the overlaps between taxis, hire-vehicles and limousines”.
However, the ATO still seems to believe that its efforts to improve taxpayer-education will solve most of the innocent types of non-compliance and will give it more time to concentrate on the more serious BISEP-related forms of non-compliance. According to the interviewee, this latter category of tax-evasion comprises “opportunistic non-compliance and also situational non-compliance”, that is, “because everybody else is doing it”. The ATO’s elaboration of various types of non-compliance will be discussed in the next section.

In summarising the ATO’s formal views on the first cluster of questions of the interview, it can be said that the ATO has gathered a great deal more intelligence on the taxi-industry than most drivers acknowledged during the focus-groups. Furthermore, the ATO is aware of particular aspects of the industry that it would rather not know about or it finds too difficult to deal with. The formal position is that it would like to pass on the responsibility for implementing less complicated solutions that compensate for its “lack of proximity” (see Gibbs 1998) and establish more effective enforcement strategies, to the State and Territory governments. On the other hand, the views have demonstrated the ATO’s limited appreciation of the interrelatedness of State and federal regulatory approaches vis-à-vis cab-drivers. The ATO seems to underestimate the opportunities for tax evasion that drivers continue to exploit because it cannot access accurate financial data nor has exact details about the number of active drivers in every State and Territory.

Nevertheless, the fact that the ATO is working more closely with transport regulators and other agencies of social control has provided additional intelligence about the industry’s cultural aspects, as well as on drivers’ attitudes toward the overall regulatory framework in which they operate. Consequently, the ATO seems to be fully aware of the obstacles that are associated with a mal-integration and the mixing-up of regulatory spheres that impact upon drivers. It also realises, on the other hand, that tax-regulation is but one component within a much broader structure of social control that impacts upon the economic and criminal activities of cab-drivers.

The key to solving the tax-regulator’s dilemma of the mixed-embedded nature of the industry would lie with re-aligning transport regulations with the ATO’s enforcement measures. By inserting its sphere of control within the industry’s structures, the ATO is able to alter the social relations among various players and (generally problematic)
drivers, thus reducing structural opportunities for non-compliance (Roach-Anleu 2006: 91-93). In addition, proper driver registration would produce a more accurate tax-roll of active drivers and a more efficient form of early intervention because they will enable the regulator to detect tax non-compliance earlier.

Finally, even though the ATO recognises a multitude of subtle and less subtle inconsistencies within Australia’s taxi-industry, a “minimalist enforcement approach” negates most of the BISEP-factors that underpin its responsive compliance model. The combined result is that the ATO’s overall compliance efforts, thus far, have apparently ‘morphed’ into some kind of ongoing demarcation dispute between regulators, rather than the kind of mutual co-operation that is required for implementing fully integrated, aligned, responsive and coherent national policies. The ATO’s 'silo-approach' to national tax-compliance appears to be confronted by its own contradictions and unintended consequences. As Bertramsen et al. note, the different agendas for economic policy and federal regulation are based upon interventions by the state that “are shaped and formed through complex relations of strategic dominance and resistance” (1991: xxxiii). From the ATO's perspective, however, federal tax-regulation takes priority and the States/Territories will need to follow suit in the pecking order of institutional arrangements that enhance societal regulation.

5.4 Coercive Measures
Following a broad description of structural factors that hamper its minimalist approach, the discussion turned to specific forms of non-compliance that have been recognised by the ATO. The interviewee distinguished between petty evasion, committed by drivers as a matter of necessity, and deliberate business decisions to “skim-the-till” at the higher end of the spectrum.

So it’s that sort of core…. Those choosing to run-straight-off-the-meter… I don’t think they are actively and consciously engaged in a particular scam, as opposed to what I call opportunistic non-compliance. I don’t think the drivers are any different to anyone else consciously trying to skim-the-till…. They’re at the top-end of the model and are making (almost business) decisions to evade. The issue in the taxi-industry, I think, is that the opportunistic non-compliance is a combination of apathy and choice. It might happen for a few weeks and then it might stop. Or it might happen for a particular period,
because of external factors…. They haven’t got their money off-the-meter this week and they need to pocket some money. So it’s situational—it depends on what’s happening in the rest of the world around the driver. Has he or she got a gas bill? Have they been ripped-off… had a couple of runners [fare-evaders]… all those sorts of things? Do I need some cash? I would think it would be those… things.

The ATO identified two main categories of non-compliance here. The first category is loosely situational non-compliance, which applies to cabbies who might do a few jobs off-the-meter and pocket the full amount of a fare. It is chiefly driven by external motives and financial considerations that are typical for people who live from week-to-week or on a “hand-to-mouth basis” (see Geelong focus-group). This form of cheating by drivers not only involves tax-evasion, but also defrauds a taxi-operator with regard to the commission arrangement. Following Mars’s (1983) and Vidich’s (1977) terminology, doing off-the-meter-fares is one of the ways to “express discontent with the legitimate rewards of the job” and “cheating” to increase the “total reward” by illegal means. In contrast, an owner-driver doing a few jobs off-the-meter receives a “tax-free bonus” (see Melbourne focus-group). This latter activity is identical to the more general practice of skimming-from-the-till, with which many small-business owners are familiar (see Rothengatter 2003).

More significantly, the segment above is indicative of a rather pragmatic enforcement rationale. The ATO’s distinction between the two main categories of non-compliance (presumably from drivers only) explains why opportunistic non-compliance appears to be the one that causes least concern to the tax-regulator. Secondly, it seems that the real concern with the industry is not so much about “non-compliance as a combination of apathy and choice” but that “business decisions to evade taxes” are the ATO’s ultimate concern. Consequently, the relatively minor offence of a driver doing a few off-the-meter-jobs because one has received one’s gas bill does not seem to bother the ATO. Instead, the regulator’s focus is on those people who, as suggested by the interviewee, either are “actually making real money” in the industry, or continue to be hardnosed to avoid the New Tax System’s prescribed measures.

Look, it does come back to the relationship between the operator and the driver. There are certainly—regardless of what State you look at—two tiers within the industry. There are those that are in the taxi-industry that are at the
operator-level; or fleet-owner level; or depot-owner level. And some of the inter-relationships there, shall we say, are from a business-sense. Most of the people that are actually making real money aren’t actually driving the cabs. They are businesses and what they are providing is probably a bureau-service and they are not about the delivery [of cab-transport itself]—they are about dispatching an infrastructure—and very sophisticated.

Next, I tried to determine how seriously the ATO views different types, and the extent of, known tax non-compliance among cab-drivers. I also wanted to find out whether or not the ATO relates specific forms of tax non-compliance to the peculiar relationship that exists between taxi-operators and drivers. In addition, I wanted to hear what the ATO thinks about their reciprocal, more deliberate forms of tax-evasion. Underlying this line of questioning was a postulate that tax-fraud by cabbies always necessitates a form of collusion between drivers and cab-operators. In addressing these questions, the ATO reiterated that its preferred enforcement strategy is for owner-operators to claim their tax withholding responsibility as employers.

If we jump back to the drivers—and I’m talking about the single driver, no other claims, the pedestrian, stereotyped driver—most of the non-compliance there is really a play with what the declared income is, particularly on the BAS involvement. ‘What was my income on/off the meter’? Most of the non-compliance is what I’ve loosely termed opportunistic non-compliance: ‘what do I actually put in the squares of the BAS’? Now, you’ve also got to look at the average operator in most of the East Coast. He’s got three drivers—aside from your big conglomerates in Melbourne and Sydney—so [with] small operators, what the GST legislation does do, it makes it quite clear who has the obligation. The operators don’t have any obligation because they are dealing with a business which is ‘Maarten-Driving-A-Cab’. Whilst you’ve got that, the collusion is not overly [a concern]. There might be wilful blindness, as opposed to collusion. I think there’s a subtle difference…

However, the subtlety in differentiating between “wilful blindness” and “collusion” is probably more a play on words than an acknowledgement of ongoing opportunities that operators and drivers have to return a BAS containing a pre-arranged level of mutual evasion. The formal bookwork can be arranged accordingly. The focus-groups substantiated that this common practice exists throughout the industry.
Perhaps the tax-regulator cannot be seen to condone any collusive non-compliance because it will stimulate a broader ‘nobody else pays the full amount in tax, so why should I?’ attitude among other taxpayers.

Alternatively—and in line with the attitude that the “tax-man will be unable to get a 100% compliance rate whenever there is any cash involved” (Geelong focus-group)—the ATO may have made a conscious decision to allocate its scarce enforcement resources to catching bigger fish. That is, expensive enforcement initiatives (line-by-line audits) to achieve compliance from “unsophisticated drivers” do not produce the extra revenue that is required to justify the ATO’s efforts. If this is the case, the sentiments of participants in the focus-groups that cabbies are too small a fish to fry would be vindicated.

Furthermore, the ATO is aware that collusion among taxpayers who operate in “tight networks” is almost impossible to detect (see Wiegand & Rothengatter 1999). However, the next part of the discussion produced a more detailed consideration of the ATO’s real fears for the moral hazards that overt tax non-compliance can bring about. It also played down rumours that since the introduction of the GST, in 2000, more than three-quarters of cabbies are non-compliant with the New Tax System’s requirements.

After a technical (tax-administrative) explanation for the differences in motives of a builder and a cab-driver to join the New GST System—that is, an explanation for the relevance of “tax-input credits”—the ATO focused on different non-compliant practices. Nevertheless, from the ATO’s formal perspective cabbies are “well and truly down the food chain” when it comes to earning capacity and cabbies are “probably lucky if they are pulling twenty-five grand a year”. The implied message could be that the ATO is prepared to show some leniency towards partial non-compliance from cabbies. The dominant reasons for doing something about the historical lack of compliance among cab-drivers and under the New Tax System, in particular, were stated as follows:

That probably raises the point of why we even concern ourselves with it… and what hasn't changed since the [Taxi-Industry Project’s] cash-economy days....

I think it’s actually increasingly important with GST, because of the interaction
with businesses. Taxi-drivers are one of the significant litmus tests, from a confidence point of view, for the rest of the community... it’s about the yakking... and whom they talk to. I think people can understand and draw conclusions from, not only the conversation, but actually the behaviours of cabbies. And from a regulator’s point of view that’s their value. The revenue is insignificant in the [bigger] scheme of things. Why drivers and a few of the other industries are important is because people draw their own opportunistic conclusions... and that’s where we encounter this cultural aspect. If cabbies take a view that the system is a ‘joke’, that [attitude] permeates similarly into the BISEP-model. So the collusion aspect is not really the issue; it’s actually withdrawing from the system, that is, disengagement (rather than collusion)....

The amount of effort that it would take to collude wouldn’t be worth the returns, unless they’re claiming a whole range of other associated costs with their business. But for a driver who drives only odd shifts, the returns are negligible. And their issue is: Why do I do this for such a small return? I’ll just fill out anything! That’s it!

The above segment illustrates that the ATO’s preoccupation with cabbies is not so much about the actual foregone tax-revenue as it is to reverse their total withdrawal from the New Tax System. Furthermore, the ATO attempts to debunk the industry’s culturally entrenched attitude that views non-compliance as the inevitable and justifiable fringe benefits of the job. Alternatively, some sources within the ATO believe that the “velocity of money theory” (ATO—Melbourne) can be applied and is generating some additional tax revenue, because most cabbies live “hand-to-mouth” (see Geelong focus-group), which at least produces GST revenue on their regular purchasing of consumption items.

However, particularly telling is the ATO’s reference to the terms “litmus test” and “yakking” in connection with the effect that stories about tax-evasion can have in stimulating pluralistic ignorance. As noted by Wenzel, conversations with passengers about a high prevalence of evasion can create social pressures to discard proper norms for compliance and provide justifications for others to do likewise.

With regard to tax evasion, a perceived high prevalence of tax-evasion would be attributed to other people’s conviction that tax evasion is acceptable, if not appropriate, behaviour. In turn, this social norm would exert some pressure to conform and evade tax as well. In doing so, one contributes to the general
impression of widespread evasion which others, due to pluralistic ignorance, again attribute to moral conviction rather than to social pressure (2001b: 2).

The ATO cannot be seen to condone a public perception that the New Tax System is unfair, too complicated, or can easily be tinkered with. Cabbies sharing their stories with passengers—in particular, with business people—about how easy it is to avoid paying tax sends a wrong message about the New System’s integrity. In addition, the above segment shows similarities with drivers’ perceptions of the ATO’s new enforcement measures. Indeed, the taxi-industry comprises a number of people who believe that the whole tax-system is a joke. Consequently, the ATO must be seen to be consistent in its compliance strategy and, at least, come down heavily on blatant tax-evasion and people who either do not register for an ABN or do not return Business Activity Statements.

The tax-regulator’s lenient position can also be regarded as an acknowledgement of environmental obstacles and relatively low earnings of Australia’s cab-drivers. At least two possible explanations come to mind. Either the ATO is exerting its administrative/regulatory discretion arbitrarily, or the regulator is not fully *au fait* with the intricacies of the States’ or federal government’s *modus operandi* (that is, party politics behind the scene) and influence that the powerful taxi-industry lobby wields at both levels of government.

If the former proposition is correct, it makes good sense that the ATO has held off on declaring war on cheating cabbies and is not pursuing them. As Rath argues with regard to the mixed-embeddedness thesis on assisting marginal immigrant businesses in order to survive, ATO operatives may exercise operational discretion and choose to deploy more benign methods of persuasion.

There are ‘sticks’… (referred to as ‘legislation *per se*’) and ‘carrots’ (financial incentives and disincentives) or ‘sermons’ (persuasion), all different forms in complex packages that define what is ‘possible’ in a market…. They also make it clear that regulation is not just a matter of repression and constraining, but also of enabling. Suppressing illicit practices such as dodging taxes and labour and immigration laws, by prosecuting the perpetrators, are important manifestations of regulation (repression), but so are decisions to tolerate these practices and not prosecute them (2001: 17).
If the second proposition is correct, it can be argued that the ATIA is effectively utilising the major gaps that exist in the application of formal authority to enforce mal-integrated compliance policies for the benefit of the industry. That is, the state branches of the ATIA put their full weight behind the determination of State-regulated transport matters (for example, tariffs and safety legislation), whereas the national body involves itself with taxation and competition matters at a federal level. As the discussions in the focus-groups demonstrated, the main considerations for the ATIA, however, are to defend the status quo of its membership as non-employers, maintain strict regulation of taxi-licences, and safeguard the profitability of taxi-operators nationally.

Before moving to the final cluster of questions for the interview, I raised the issue of the proportional non-compliance among cab-drivers:

[Interviewer: There are some rumours that 78%, at the moment, are non-compliant with the new enforcement measures. I assume that is partial non-compliance. And others—as you’ve just explained—may have completely withdrawn from the system. Can you say anything about that?]

_Certainly! The seventy-eight per cent figure is not correct. The taxi-industry probably has similar non-compliance [rates] to most other industries. If you break it up into some sub-components: the first group of people is those that are driving using false identities. They’re using somebody else’s ABN. Then you’ve got the next group who have an ABN, but are not registered for GST. They have gone to the trouble of getting an ABN, but they have not registered for GST because that then doesn’t trigger the BAS obligations. And then you get those in the third category we have talked about. They are half in the system. They are nominally returning something and complying at one level…. They will lodge a BAS every month or every quarter, but what’s on it is totally irrelevant. We have found, in a range of exercises, that if you look at taxi ranks [field enforcement activities] as opposed to some more detailed reviews [internal audits] anything from 10% to 25% of people will have some sort of non-registration or, alternatively, they will have [registered for] an ABN and not the GST. Why is that so high? In some senses it’s because it has no threshold. You’re actually dealing with a mandate. If you’re behind [the wheel of] a cab you’re supposed to have an ABN/GST registration… You should not have a taxi-licence unless you’ve got a GST-registration._
The interesting points in this categorisation of non-compliant cabbies are, first, the detailed knowledge that the ATO has gained since the industry’s classification as “high-risk for tax non-compliance” in the early 1990s. The identification of the typical forms of non-compliance corresponds closely with the attitudes and behaviours that were discussed by most drivers during their focus-group sessions. Perceptions by those who believe that the ATO is still “clutching at straws” (in catching-up on the evasive techniques within the industry) are therefore incorrect.

Next, the ATO acknowledged that the accuracy of figures submitted by those “nominally returning something” should be taken with a grain of salt. However, as the intelligence and bench-mark ratios for the national taxi-industry become more refined, the opportunity to collect additional revenue from cabbies will increase. The non-relenting presence and enforcement initiatives of the ATO within the industry may eventually modify compliance norms among cabbies and change the traditional culture. The ATO confirms that enforcing its “mandate” for a driver’s compulsory ABN/GST registration is the most logical way forward.

Finally, the discussion so far has demonstrated how difficult it has been for the ATO to reconcile the conflicting interests of drivers, operators, transport regulators and federal revenue collectors. The political manoeuvring and commercial pressures of the ATIA to influence the State governments’ policies have been obstructing the national, industry-based solutions that the ATO needs to stop the “unauthorised wage-subsidies” (see Geelong focus-group) of cabbies. The ATO is disappointed by having to promote the benefits of better tax-compliance to decision-makers in the States and Territories. Their respective governments and administrators need to act now according to the ATO, which has exhausted its legal avenues for a federal solution. The ATO displays openly its frustration at the separation of powers that is inherent in Australia’s federal system of governance. In addition, the ATO believes that the distribution of the GST to the States and Territories can be used as incentive for coercing them to introduce better aligned policies.

[Interviewer: Do you consider it possible to get something organised, as far as the different types of legislation is concerned on a national level? Or is it the unique political system in Australia, where you’ve got State ability…?]
It’s a combination of theory, principle and reality (as the State’s and Territory and Government Grants Commission Formulas change): every bit of revenue that is not collected or [not remitted by a taxi-driver in GST, is revenue foregone by the States! So, I think that’s the incentive!

[Interviewer: The incentive? The carrot?]  

The carrot. It may not be big in the scheme of things. They are saying: ‘Well, unless you better align some of these administrative or legal functions, the lost revenue is directly out of GST for each of the States’. That’s probably the changed opportunity. That’s really to do with the regulators—the relationships between the transport department and treasuries.

According to the ATO, the New Tax System requires a “new way of thinking” which is not about tax-compliance enforcement per se. That is, it requires the unqualified acceptance from State and Territory administrators that the ATO’s initiatives are merely one component of an overall, nevertheless unified regulatory orientation towards implementing a fully aligned style of governance—New Federalism. The economic reasoning behind an alignment of regulation for the taxi-industry should, in itself, provide the States and Territories with sufficient incentives to cooperate with the ATO. If not, they are at the risk of losing out in the distribution of GST revenue.

So I think that it is probably the alignment, mainly around voluntary compliance rather than banging cabbies over the head, which is not worth being [pursued effectively] in the scheme of things. It is just not worth the return or the effort.

[Interviewer: Very expensive, isn’t it?]  

Well, it’s expensive. But it’s really not what we would rather be spending our time on. What comes through, in some of the analysis of the taxi-industry (and probably a couple of other cash-industries) are the same BISEP things you’re talking about. The earlier you can align and let it be known quite clearly to people that everything is covered at the front-end, a certain percentage of those won’t bother to not comply. As opposed to: ‘Well, if I don’t tell the tax department that I’m driving a cab they won’t know. And they can catch up with me’. If you can centralise that type of registration, lodgement, payment, and
also exception-reporting across a range of State and Federal Agencies, or within the industry itself, that’s where the opportunity is…. It’s probably more about the thinking that it demonstrates than a significant shift. Because what it lays the groundwork for is: if that alignment makes sense in this industry, it probably makes sense in others. And I think that it’s quite a safe industry to play with.

It shows that the ATO views the taxi-industry as a compliance experiment that, if successful, could see the notion of proper legislative “alignment” applied to other cash-intensive industries. Another task is to convince both the operatives within the ATO itself and the relevant State departments to accept the new way in regulatory “thinking” and implement regulatory practices that resonate with one another. However, it cannot be assumed a priori that enforcement ideas, which are generated at the national policy-making level, will always be implemented without any form of resistance at regional and local, operative levels. As Bardach observes:

Policy ideas that sound great in theory often fail under conditions of actual field implementation. The implementation process has a life of its own. It is acted out through large and inflexible administrative systems and is distorted by bureaucratic interests. Policies that emerge in practice can diverge, even substantially, from policies as designed and adopted (2000: 25).

The existence of intra-organisational tensions (see Shover et al. 2001) was demonstrated by an ATO field operative in Darwin, who is fully aware of the BISEP-factors that influence compliance behaviours of cabbies, but was “fed-up with the Mother Theresa approach in actually dealing with these guys”. Following a prolonged period of “amnesty for taxi-drivers to come clean, register for an ABN and lodge a BAS”, this particular field-officer mentioned targeted “team-blitzes” on the inner-city ranks and the local airport as a regulatory response (ATO Darwin Interview). Centralised organisational pressures for generating extra revenue from a team’s enforcement activities at a regional level may ultimately prove to be greater than the unambiguous adherence to ideals and desirable practices of responsive enforcement initiatives on a national level.

In the final stage of the interview I wanted, first, to explore the ATO’s views on the possible effects that other policies (that is, not directly tax related) may have on the
tax-compliance behaviours of cabbies. Industrial Relations (IR) legislation and National Competition Policy can be regarded as the most significant examples. Changes in either policy sphere have immediate effects on the composition of privately owned transport providers and on the economic returns for taxi-operators. Cab-drivers could face a considerable drop in income, once unfettered market forces start to determine the pricing of taxi-fares and thus increase competition within the passenger-transport sector. Taxi-operators are likely to take shortcuts to survive and bailee-drivers may become even less tax-compliant. In addition, making cab-operators pay wages to drivers could send the industry broke. Those particular postulates are based on the responses that informants in the focus-groups offered. Consequently, the intended line of questioning was to test the ATO’s practical awareness of interrelated forces that could have far-reaching implications for the tax-regulator’s compliance enforcement strategies.

However, I also wanted to give the ATO an opportunity to provide some solutions and suggestions for boosting voluntary tax-compliance among cabbies. As with my line of questioning in the focus-groups, I raised a hypothetical scenario in which the interviewee would have an opportunity to brief the Chief Commissioner of Taxation and the Federal Treasurer about efficient compliance measures for Australia’s national taxi-industry (see Appendix 1).

5.5 Competition and Professionalisation of Cabbies
The first theme that was raised in the final stage of the interview was the rapid change of the structure of the industry and the influential role that depots and service-bureaux play in meeting demands for better taxi services. Changes in the composition of the transport-sector can be attributed to increased competition from various forms of re-regulation of taxi and limousine services. As indicated earlier in the interview, all jurisdictions initially signed-off on the 1995 funding-agreement with the federal government that requires the deregulation of specific sectors and industries to stimulate more competition. The federal National Competition Commission (NCC) is overseeing the extent to which States/Territories facilitate more competition within hitherto protected monopolies or oligopolies.

None of the States/Territories (bar the Northern Territory) has fully deregulated its taxi-industry. They have used various excuses, such as safeguarding the public
interest, passenger safety and a perceived obligation to compensate existing owners of taxi-licences, as the main reasons for maintaining a strict form of regulation. In fact, most jurisdictions have opted for a gradual re-regulation of taxi-licences and, in some cases, the partial deregulation of the hire-vehicle and limousine licensing system as, for example, in Victoria. The full effects of its licensing policy will unfold in the long term. The Northern Territory’s deregulation (1999) of taxis and hire-vehicles has already been modified. Amendments to its passenger-transport legislation have been passed to cap the number of leases on licences in specific areas, such as Darwin and Alice Springs.

From the ATO’s perspective, NCC requirements play an important role in the nation’s tax-compliance debate. According to the ATO, the main emphasis and focus among State transport regulators, taxi-operators and cabbies is on “competition policy” rather than tax-compliance. As put by the interviewee, “competition policy consumes the industry”.

I have to say that the National Competition Policy discussion is obviously paramount to the industry itself because of the State structure—and I’m probably speaking less as a regulator and more as an observer. Some of the earlier issues I’ve talked about—relationships and what might get lost or who might get disadvantaged—consume the industry. Tax is not their real concern. It’s Competition Policy! Some are responding by trying to embrace it through increased professionalism and market share and niche markets and better client service, joining the tourism-industry more overtly, and all those sorts of things. And others, quite clearly, are trying to stick their head in the sand about it and really run (effectively) a monopolistic-type of industry within areas, or even within States! I don’t get a sense that the State regulators see it [tax-compliance] as a particular issue.

The ATO appears not to be overly impressed with the lackadaisical attitude of transport regulators (in not tackling widespread tax non-compliance by cabbies and thus forfeiting additional GST-revenue). They show limited understanding of the power that (virtual) monopolies exert over the behaviour of drivers and are ignorant on critical matters of national social concern, such as taxation, distributive justice and social equity. Furthermore, transport regulators are indirectly criticised for not
initiating pro-active initiatives that recognise the complex nature of the industry’s regulatory framework, and for their lack of cooperation with the ATO.

A significant part of the image problem throughout the taxi-industry has remained unresolved by State Governments, which have not addressed the poor quality of the bailee-drivers, according to the ATO. Even though some taxi-companies have started to upgrade their service appearances (for example, Melbourne Silver Tops or Brisbane’s Black & White Cabs’ Silver Service) the general taxi-driver population provides service standards that are mediocre.

The ATO agrees that an essential component of improving the existing service level is encapsulated in the slogan “get rid off the monkeys—stop paying them peanuts” (Melbourne focus-group). However, it also believes that taxi-operators have no immediate incentives for providing better remuneration while the industry continues to rely on a “minimalist approach and that there are plenty of candidates because of that skill-share aspect”. In short, as long as taxi-operators can tap into a predominantly unskilled, cheap source of labour, it is highly unlikely they will commit to genuine service innovation and “get serious” about the quality of their drivers. These sympathetic comments are similar to the ones that a member of the Taxi-Industry Project Team in Melbourne disclosed during a working-party meeting in 1998. Indeed, the taxi-industry’s most powerful stakeholders are not overly concerned with improving service to consumers or offering better rewards to drivers, but with repositioning themselves in fluid financial markets, while turning demands for infrastructure innovation (that is, service bureaux) into their main source of profit. Moreover, they are pre-occupied with defending the closed-shop nature of the existing taxi-licensing system in every State.

However, the demand for better service by consumers—and business people, in particular—is now causing the rise of a two-tiered transport sector, according to the ATO. Increased competition from limousines and private hire-vehicles can be extended to those groups of drivers who have formed their own networks to service a private clientele—the trunk operators. Alternatively, demands for better service could be addressed by maintaining a high density of (small) owner-operators throughout the industry, rather than accommodating the needs of conglomerates of investors and speculators (absentee landlords) that transfer the responsibility for
running good taxi-services to management companies. There still remains an urgent need for transport regulators to address the lack of incentives for drivers to provide a better standard of service. The ATO believes that consumer-driven demands for quality service will make the provision of better rewards inevitable and become just a matter of time:

I think the relationship between the limousine companies and the taxi-industry is totally blurring. And that’s actually a bigger practical threat. In one sense it’s actually been quite good for the industry, because they’ve recognised that basic services just aren’t acceptable anymore to the public, let alone the business people. The stigma has gone off limousines. But that stigma just doesn’t exist [any longer]. The changing type of passengers is changing the way they interact (that is, regularity of customers). As you know, if you’re getting a one-off, well, it doesn’t matter if they’re not happy.

[Interviewer: Fleeting relationship?]

That’s right. Who cares? Whereas if you’re getting the regular one, if they are a business, they don’t want to be hassled over [issues such as]: ‘Oh, give me cash or it won’t be on the meter’. Alternatively: ‘Oh, my CabCharge machine is broken, so I’ll have to factor it in’. Conversely, with the [government subsidised] disability scheme people, it’s probably more about a driving relationship in a truer sense.

[Interviewer: Personal trust, competence? In a sense it is back to the ‘Milkbar Proprietor’—the ‘Milkbar-on-Wheels’, is it not?]

Yes, for sure. But I think the crux of the problem, at the moment there’s no incentive for good performance by a driver…. That’s the real problem!

[Interviewer: No career structure? No rewards sort-of-things?]

That’s right. Unless driver-operators… have one [an assurance by an owner-operator]…. ‘Well, if you drive with me, you will have a good clientele who will never cause you any problems; who are regular bookings; you don’t have to sit on the rank for hours’…. That in itself can be an incentive for going to the trunk radio set-up. No safety problems…. So that, actually, can be a different sort of reward. And that has happened a fair bit…. I mean, the real problem is:
where is my reward and whatever else that is important to me for providing a professional clean car? And until they join the tourism-industry and see themselves as that…. But certainly, that’s a combination of government focus for their State’s [transport] infrastructure.

The ATO’s anticipated professionalisation of the passenger transport-sector produces a segmented market and a differentiation between quality drivers and “moonlighters” (see Vidich 1976). The ultimate responsibility for these developments rests with the States and Territories and, once again, the ATO would like to see a better regulatory alignment between the two spheres of governance.

The ATO’s views also contain an expectation that ongoing professionalisation within the industry may produce positive revenue outcomes. The first factor that plays into the hands of the ATO is the paper trail that is created by business people using a better quality of service. Many businesses use CabCharge (credit) dockets or pay for fares via EFTPOS transactions. This payment facility generates automatically a tax-invoice (a tax-input credit for business), as well as links to the ABN of the taxi’s operator that can subsequently be cross-referenced. The second factor is the use of regular taxis for the transportation of people who are subsidised by State governments, for example, under Victoria’s Multi Purpose Taxi Programme (MPTP). Again, this system produces a paper-trail that can be followed by means of cross-referencing the various parties involved—claimant, taxi-operator and driver.

The ATO’s main objectives are to stop drivers from “withdrawing from the system altogether” and to control the amount of collateral damage (pluralistic ignorance) that their “yakking” causes to the voluntary tax compliance morale of the nation’s citizens at large. Third-party compliance enforcement through taxi-depots, including all CabCharge and EFTPOS transactions, may eventually mitigate a lot of fraud, as well as improve the public image of the industry. The ATO argues, in essence, that the general public’s regulators demands for better service affect the social and economic relationship between cab-drivers and their clientele. Alternatively, by positioning itself strategically at this particular micro-level of interaction, the ATO is able to influence the compliance behaviour from cabbies more effectively.

Finally, the above viewpoints are, again, good indicators of the implied policy recommendations that the ATO would like to make to its counterparts in the
States/Territories. In addition, it is the recognition by the federal tax-regulator that some essential and structural adjustments need to be made to an area of diversely embedded regulations over which the ATO has no formal jurisdiction. Indeed, it is now up to the States and Territories to move their taxi-industry into an era of providing “A World-Class Service” (Victoria’s former Premier, Geoff Kennett’s 1996 slogan) for their respective regions.

Nevertheless, better service often comes at a price and since markets have no social conscience, the rewards for providing quality taxi-transport may have to be supported by more equitable industrial regulations that will reduce the unfettered exploitation of marginalised labour. A market-driven demand for better transport is also likely to cause additional compliance problems for the ATO. That is, the sector might develop a form of segmentation that stimulates the re-emergence of owner-drivers who cater predominantly for business people and government subsidised travellers. As such, this echelon of self-employed cabbies will be easier to regulate and monitor for tax non-compliance. The increased popularity of trunk-operators and their drivers, or for quality services that are provided by Limousines and Private Hire-Vehicles, are a good indicator that the sector as a whole is already moving into different directions.

On the other hand, it may see the bulk of passenger transport, which is currently provided by regular street-taxis, increasingly attract the labour from irregular workers, overseas students, unemployed persons, social security beneficiaries, ethnic minorities or others who might be very difficult to track-down. Additionally, State and Territory governments are pressured constantly to provide a safer workplace for cabbies. The recent twenty-two hour blockade of Melbourne’s CBD by parked cabs (following the murder of an Indian driver) illustrates many drivers’ resentment of existing OH&S provisions (Fyfe, The Age, May 4th, 2008). However, all issues pertaining to transport sector infrastructure are, according to the ATO, within the domain of individual State and Territory transport regulators whose priorities are not on national tax-compliance. The focus-group interviews clearly support the ATO’s views. States and Territories are too busy with their political manoeuvring and “hegemonic practices” (Bertramsen et al. 1991: xxxi) of regulating the interests of the most powerful stakeholders in their respective industries. Indeed, as Asimov—an active bailee-driver himself—writes with regard to the true agenda that State
governments and the peak bodies in the industry have in place for “door-to-door” transport services:

Intelligence, logic and commonsense tell me that they all want an integrated private door-to-door public transport service where hire-cars handle most phone-bookings and taxis are relegated to the gamble and danger of mainly street work. We will become the street whores of the industry (2004: 5).

Others predict a similarly grim outlook for those who, chiefly because of the lack of alternative job-skills or language problems, will have to persist with driving a cab in order to survive. And for those lucky enough to find employment as drivers for a taxi trunk-operator, a network of Limousines or Private Hire-Vehicles, specific forms of tax non-compliance will remain available. It will be interesting to see how the ATO intends to tackle the unintended consequences of a market-driven restructure of the Australian cab-industry. Alternatively, how is it going to apply its strategy of “responsive regulation” to a growing component of the transport-sector that has a totally different set of State/Territory rules and regulations than those that apply to taxis?

Items four and five were last on the list of interview questions and I anticipated a few problems in getting direct answers. That advice came from an ATO operative in Canberra who, during an informal discussion at a tax conference, said that most “career bureaucrats—especially SES members who are climbing the ladder rather rapidly—will not easily give their professional advice directly to the Treasurer or any superiors”.

5.6 Tax-Compliance and ‘New Federalism’?
The ATO’s views about Australia’s taxi-industry and its stakeholders are similar to the perceptions that most cabbies expressed during their focus-group sessions. In the final questions of the interview, I wanted to detect what the federal tax-regulator plans to actually do about executing a “responsive approach” and what the ATO’s formal position on its National Compliance Model (ATO 1998) is. Consequently, this last section of the analysis can be regarded as a summary of the issues that were raised throughout the interview. It may also be regarded as a future enforcement mission-statement by the regulator.
[Interviewer: In general terms, what do you think would be the quickest fix, from a regulator’s professional perspective…? If you were given a blank piece of paper and say: I can make new rulings here, how would you fix this industry?]

In response, the ATO differentiated its strategies between practical/reactive, pro-active and technical levels of enforcement. The expressed views indicate a future use of reactive audits that the ATO can conduct following third-party matching of data on drivers who are only partly in the system. This particular enforcement strategy can be applied to drivers whom the interviewee previously classified as “nominally returning something and lodging a BAS but what’s on it is just totally irrelevant”. An intensified form of surveillance can be made possible by externally provided electronic data (a third-party enforcement strategy) about active drivers and real-time business indices of sales, claimed tax deductions or GST-input credits. Furthermore, this reactive strategy can have potential side-benefits in that it will flush-out drivers who are defrauding the Commonwealth Government by claiming social security benefits while being employed, or who are not declaring income from secondary employment sources.

_i think the industry, at a practical level, lends itself to some pretty good inter-connections between the meter, the dispatch-system, and the electronic payments-system. That’s probably more the practical level. In other words, of all the industries, because of the high use of audit trails through electronics, we can get out a whole range of business—what I call business norm data—which we could then actually use quite sophisticatedly. We can pick up business exceptions. It might range from the number of trips that a particular driver or cluster of drivers do that do not feel right, through to the number of passengers, through to the average returns. That’s more the reactive side of it._

By comparing the figures that cab-drivers must provide on their BAS with accurate “business-norm data”, deviations will “pop-up on the radar” and instigate a further investigation through targeted auditing. The ATO’s deeming rate of revenue per kilometre for taxis has been increased from $0.69 in 1996, $0.72 in 1999, $0.87 in 2001, $0.94 in 2002, and currently stands at $1.06 per kilometre (ATO Sydney
Interview). However, this reactive form of enforcing business-norm data remains, as discussed above, a rather expensive way to collect additional taxation revenue.

Secondly, a more pro-active enforcement strategy could involve a follow-up on those drivers who have applied for an ABN but have not registered for the GST in order to avoid compulsory lodgement of their BAS. The most obvious way by which drivers can be caught for this type of tax-evasion is only by an off-chance discovery during an “enforcement blitz from field-officers” (ATO Darwin Interview). In addition, the ATO reiterated its desire for State and Territory governments to certify only drivers (who are) able to produce authentic proof of an ABN/BAS registration—the need for a single, core regulation nationally:

I think the pro-active side still lies with aligning State and federal obligations, particularly registration [of drivers and linking the DC with an ABN]. Drivers shouldn’t be on the road collecting GST which has income tax spin-offs, given that a lot of the labels aren’t Income Tax or GST anyway. They shouldn’t be able to get on the road unless they are appropriately compliant with State and federal obligations. That in itself, at least, gives us our active population.

Indeed, if every State government were to incorporate the ABN/BAS registration as a prerequisite, their database would produce a more accurate tax-roll of active cab-drivers. In turn, accurate registration of all active drivers could then be matched against BAS lodgements and the income-tax liabilities could be ascertained accordingly. However, the above statement also contained an indirect admission that the ATO still does not have a good base-line from which it can fine-tune its enforcement strategies in order to extract maximum revenue (that still seems to be based on rough estimates). Consequently, enforcement measures continue to be developed on rather imprecise “business-norm data” and nobody (including the ATO) knows whether or not the actual amount of forfeited revenue from the taxi-industry has increased or diminished in real terms, since 2000. The discussions with ATO operatives in Melbourne, Sydney and Darwin, as well as an ATIA representative, have confirmed that it is still anyone’s guess how to quantify accurate national sales figures and calculate the actual tax-gaps.

The final category of practical fixes that the ATO mentioned are based on tax-technical and pragmatic, administrative interpretations. The first point to note is the
repeated assertion by the ATO that the quality of drivers is unlikely to improve. Consequently, existing remunerative arrangements throughout the industry will continue to contribute to tax non-compliance of some sort or another. Put differently, the structural arrangements pertaining to cabbies’ remuneration in a cash-intensive environment are likely to mitigate improvements in voluntary compliance, regardless of the actual amount of lost revenue.

Next, the ATO implied that voluntary tax-compliance can be enhanced by simplifying the self-assessment process that determines a cabbie’s tax liabilities. The ATO’s proposed approach shows strong similarities with the collection of provisional tax from self-employed business proprietors. This method was used prior to the introduction of the New Tax System and is a direct consequence of the BAS lodgement requirement for cabbies.

If the drivers remain relatively unsophisticated, which they will, we need to allow them to pay at-will or, perhaps, pay-in a nominal contribution, which they don’t have to think about, which arguably is just indicative. Under the new tax system there is currently a Simplified Accounting Method (SAM) for retailers. Provided one fits the criteria, there’s a simple process and some set criteria. Drivers actually pay either an ATO issued business-norm or pay something based on a three-monthly calculation. It’s a bit like income tax with cars. Drivers could come up with a record and say: ‘well, that’s my norm; I’ll pay that, and I won’t claim any higher, but I won’t claim any less’. So, if I could loosely term that an averaging system, we can simplify it; we then automate it; and we just get compliance of ‘a’ level rather than necessarily trying to get ‘the’ level.

The latter statement surprised me. On the other hand, it also makes a great deal of practical sense: the ATO acknowledged that under the current conditions and existing arrangements it will be unable to ever obtain a one-hundred percent compliance rate from cab-drivers. The imposed question that remains is that, if the ATO is not concerned about the “dollar-for-dollar revenue” from cabbies, what are the policy ramifications and likely negative effects for the compliance morale in other cash-intensive industries? Furthermore, will a SAM-lodgement stop cabbies from the type of “yakking” that the ATO is so concerned about, if their remunerative
arrangements and perceptions of inequitable distributive justice (both horizontally and vertically) do not change?

The most significant suggestion for change is the third aspect that was mentioned in the next segment. It represents the ATO’s preferred option and most efficient way for solving much of the industry’s tax non-compliance. A withholding of tax at-the-source will shift tax obligations from “unsophisticated individuals” to business operators as employers. Not surprisingly, this scenario resonates with the preferred option for many contracted cab-drivers. The main stumbling block for a future withholding arrangement appears to be the industry’s paranoia about the cost-increasing effects that a change in the status of drivers to formal employees will have on bottom-line returns for operators. However, the following segment was also a good indicator of the ATO’s support and acknowledgement that Australia’s cabbies deserve a more equitable remunerative deal from the parties that effectively control the taxi-industry. According to the ATO:

*The third aspect does boil down to the future of the industry itself, whether it is an industry. I don’t think national regulation is the answer. But certainly, there is an argument that taxi-drivers shouldn’t be even involved [in taxation matters] and it stops at the operator-level. They’re effectively like a couple of other areas where anything lower than that is too-low-a-hanging-fruit. The operators are responsible for managing their drivers; they deem them to be their employees; and they just run it like a branch, effectively. But what goes with all that heat is, of course, resistance. And then we are talking about resistance to changing the existing relationship, once again.*

[Interviewer: But as we discussed earlier, you can only do that by legislation, realistically?]

Yes, that’s right. In fact it’s probably related legislation for us. There is an argument in New South Wales—and to some degree in Victoria by some of the taxi-driver advocacy groups—that says: ‘In other areas they are deemed employees’. Our response would be: ‘In isolated cases that is correct, but we’ve asked specifically around the bailment-issue, and the Federal and High Courts are unequivocal’. Whether that needs to be re-tested is an issue for industry and drivers. Perhaps the environment is different now. But the ATO’s concern is probably less about that relationship and more about: ‘if it’s
This final response did answer the question as to where the ATO places the ultimate legislative responsibility and where it pitches its preferred compliance mechanism for improving tax-compliance in the taxi-industry. It also highlights the contradictory regulatory behaviour by treating Australia’s cabbies as independent contractors (self-employed businessmen) for one set of rules (taxation) and deeming them to be employees in other respects (for example, Workers Compensation). Furthermore, the ATO is not prepared to spend a vast amount of money in legal fees to revisit the bailee-driver versus employee status of drivers. It is now in the hands of the States and Territories to convince the industry that a driver’s compulsory registration for an ABN and obtaining a legitimate cab-driver’s licence, are inseparable prerequisites, as long as cab-drivers are not legally regarded as employees.

In the absence of legislative initiatives from transport-regulators to change the legal status of drivers, the taxi-industry lobby, owner-operators and service-bureaux remain more interested in preventing a national deregulation of taxi-licences at all costs. Indeed, these “long-term players don’t want change to the industry or, at least, certainly not in terms of business outcomes”, as the interviewee put it. Meanwhile, the speculative trade in taxi-licences continues while their prices rise. This trend does (considering annual returns in relation to capital invested) not make a great deal of commercial sense, in particular since prices of cab-fares remain fully regulated. However, it could also indicate that there is some truth to the stories that one can hear on taxi-ranks from time-to-time: owning a taxi-licence opens up the way for (gradually) ‘laundering’ the proceeds of other criminal activities. As suggested by Boris during the Sydney focus-group: the taxi-industry might (at least for some operators) still be the “last bastion of the tax-cheat”?

5.7 Conclusion
Discussing the historically entrenched tax non-compliance of Australian cabbies with ATO personnel has produced a number of interesting insights into the political manoeuvrings and technical, bureaucratic discourses that underpin the tax-regulator’s compliance approach for the taxi-industry. By losing the opportunity to draw cabbies into the tax-net in one clean swoop (that is, by enforcing a legal
obligation to withhold tax ‘at-the-source’ by taxi-operators) the ATO is now looking towards State and Territory transport regulators for their bipartisan cooperation in mitigating tax non-compliance.

In accordance with the National Compliance Model and the federal government’s “responsive regulation” (see Braithwaite 2001) underpinning its New Tax System, the ATO regards itself as “custodians of the tax environment”. However, the federal tax-regulator has inherited a multitude of “environments” that are riddled with contradictory forces and interests. Consequently, its national efforts to mitigate non-compliance on a broader scale can expect the continuation of fierce opposition, including policy-makers in State and Territory governments. As suggested by Bertramsen et al., this regulatory battle for primacy under New Federalism,

...takes place through hegemonic practices which operate in a context of social antagonism. Hence, the success of a given hegemonic project has to be measured in terms of how effectively it copes with strong oppositional forces, which could emanate from bureaucratic state apparatuses, from heavy economic interest organisations based in economic life, or from new social movements within civil society (1991: 207).

The ATO’s suggested enforcement strategies to overcome the socio-political constructed limitations of a separation of legislative powers have been presented as a combination of practical, reactive and pro-active compliance measures. Their main aims are to compensate for the lack of bipartisan support from the States and Territories for the ATO’s national tax-compliance approach. However, the ATO’s main challenge will be to convince the States and Territories that their interests are best served by abolishing the “border-line style of regulation” that is currently in place for the taxi-industry. The trade-off for cooperating with the ATO—and as a carrot for taking political risks—was projected as extra GST revenue that will flow to the States and Territories. Nevertheless, it should be noted that of the total Commonwealth payments to the States/Territories of approximately $78.6 billion (that is, 40% of GDP), only $45.5 billion (58%) comprises the federal government’s redistribution of GST revenue. The balance of $33.1 million (42%) in payments to the States/Territories consists of Special Purpose Payments—health, education, infrastructure, et cetera (Budget 2008-09: Commonwealth Treasury Paper # 3—source provided by Geoff Dow).
The second carrot that the ATO holds out is a coercive strategy that rides on the back of the National Competition Commission’s requirement to establish more competition and bring about cheaper fares for consumers. State and Territory governments may benefit significantly from viewing taxi-transport as an integral part of their expanding tourism industries. In addition, the taxi-industry will have to lift its game and employ better, more qualified, drivers in order to shed its “unsophisticated” image in order to remain viable.

The ATO seems to have understood that every State and Territory government faces its own regulatory dilemma of some magnitude. By not upgrading the quality and level of performance from existing taxi-services, public pressure will increase and may damage political reputations at the State or Territory level. Conversely, a deregulation of taxi-licences may involve payments for claims and compensation of existing licence-holders that could cause budgetary constraints and may send small taxi-operators to the wall.

Nevertheless, the ATO expressed that its preferred solution is to stimulate professionalism among operators and cab-drivers by implementing better rewards and secondary conditions for bailee-drivers. According to the TIPT, once the States and Territories enact their “aligning legislation” that “deems” cab-drivers to be employees, the ATO’s problems for collecting tax directly from marginalised workers will be solved to a large degree. Alternatively, recent trends in the re-regulation of taxi and hire-car licences by the States and Territories will eventually see the mix between owner-operators and bailee-drivers blur. By taking the heat out the market and by introducing non-transferable (government-owned) taxi-licences that can only be leased, a new breed of taxi-entrepreneurs is likely to arise within the sector. However, an increase in the demand for quality transport (Limousines and Private Hire-Vehicles) may also create a hitherto unchallenged territory of tax non-compliance from people who operate their own passenger-transport business in a true sense of the term self-employed.

There is also a significant risk that an ongoing segmentation within the taxi-industry’s workforce itself will create new forms of tax non-compliance that the ATO has not fully factored in. The anecdotal evidence from the focus-group interviews has
indicated that the current influx of “non-committed foreigners” should be of great concern to the ATO. In particular, increases in the number of cab-drivers from a NESB (and others who take advantage of the low-entry barriers into the taxi-industry) will create additional tax-compliance enforcement complications. Furthermore, the ATO’s current compliance model can be accused of being ethnocentric in design and carries the potential risk of being used merely as a “stick” for NESB cabbies, and thus be perceived as a form of institutionalised racism. In short, different socially constructed norms, cultural values and social capital that is embedded in a NESB network of cabbies, are likely to remain cacophonous with the ‘model’ citizen’s morale that the ATO expects from all (corporate and individual) taxpayers.

In conclusion, the data from this interview with the ATO have confirmed that it has chiefly maintained its ‘silo-approach’ with regard to a cash-intensive industry. There are good reasons to suggest that “responsive regulation” is a euphemism for the re-badging of practical enforcement measures that are underpinned by criminological interpretations and a brusque application of unsophisticated social control theories.

Even though the ATO has gained much additional intelligence on cabbies and has expanded the industry’s initial BISEP factors, its compliance enforcement measures since the 2000 introduction of a New Tax System have essentially remained the same. Meanwhile, a fluid range of structural opportunities for tax non-compliance have not been adequately addressed. More significantly, market-driven developments outside the ATO’s jurisdiction have produced a new set of perceived inequities, anger, frustrations and anxieties for taxi-operators and many of their drivers. Improving voluntary compliance among Australia’s majority of cabbies may yet have more than a little way to go?

Chapter Six and final chapter of this thesis will provide a critical discussion on the findings of this case-study on tax non-compliance in Australia’s taxi-industry. This concluding chapter will also evaluate the study’s strengths, weaknesses and provide some possible directions for future research.
APPENDIX 1

INTERVIEW SCHEDULE—ATO’s TAXI-INDUSTRY PROJECT TEAM (TIPT)

• Briefly summarise the research topic and specific research question.

• Explain the purpose of the interview.

• Check the brief history of the taxi-project (that is, Cash Economy Task Force – Increased Audits - BISEP - Enforcement Pyramid – High Court Challenge?).

Specific Questions:
1) Which salient factors contribute primarily to the relatively poor tax-compliance record, behaviours and practices of the Australian Taxi Industry (Regulator’s perspective)?

Probes: - Is the rumoured 78% relating to total non-compliance or partial non-compliance?
- Does the extensive non-compliance apply to owners/operators and ‘independent contractor’ drivers across the board? Ratios?
- Does the non-compliance refer to both GST and PAYG?

2) What kinds of options (in order to improve voluntary compliance) were considered, before the “New System” for taxi-drivers was introduced? Why was the compulsory ABN/BAS scenario selected, ultimately?

3) What are (from your perspective and if any) the links between tax non-compliance and other Government rules, regulations, legislation? (for example, regulation of taxi-licences, Industrial Relations Acts, WorkCover?)

4) Given the opportunity to address Michael Carmody and/or Peter Costello with some suggestions and advice for the taxi-industry during a private meeting, what would you (as a professional tax-administrator) tell them?
5) What kind of specific measures could, indeed, make some significant improvements to the (more “voluntary”) compliance from *contracted drivers*, in particular?

6) Is there anything else you would like to raise about the issues we have discussed?
APPENDIX 2

TAXI-INDUSTRY “BISEPS”

Industry

Nationally
- 13,465 Taxis
- 10,000 taxi operators
- 70,000 – 100,000 licensed taxi drivers
- 40,000 active taxi drivers at any point in time
- Annual Industry Turnover - $1.5B.

Governments
- Industry highly regulated by State governments
  (Vic – Victorian Taxi Directorate, NSW – Dept. of Transport)
- State regulations restrict the operation of taxis to set regions
- Meter rates set by State regulations
- Government subsidised scheme for disabled passengers
- Subsidised taxi scheme is defrauded by drivers, operators & disabled passengers
- State governments want industry to be seen as more professional
- Limited number of Government Enforcement Officers to supervise the regulations.

Industry Association
- Australian Taxi Industry Association and State Associations represent the interests of the industry to governments, media, public, et cetera
- Association magazines present industry issues, taxation articles, gossip, golf results.

Taxi Depots/Taxi Companies
- Provide a telephone booking service, process credit dockets for taxis that operate under their banner, enforce their rules on drivers and operators, handle complaints from passengers, advertise taxi services
- Charge a monthly depot fee for services provided to taxi operators
- Taxi-operators have to operate under the banner of a taxi depot/company
- In country areas train & accredit new taxi drivers
- Are using increased technology – computer dispatch of telephone booking, Global Positioning Systems used to allocate jobs, EFTPOS machines in taxis, share telephone booking centres.

**Taxi Licence**
- Government issued licence required to ‘ply a vehicle for hire’
- An operator must own or lease a taxi licence in order to operate a taxi vehicle
- Must be a fit and proper person to hold a taxi licence
- Can buy & sell taxi licences
- Sale of a taxi licence must be approved by government taxi authority
- Licenses are being purchased as investments by non – industry people.

**Taxi Operators**
- Licence owner/operator – owns a taxi licence & operates the taxi vehicle
- Assignee operator – leases a taxi licence from the taxi licence owner & operates the taxi vehicle (runs own business for profit/loss)
- Large number of assignee operators (more than 50% of all licences)
- A few operators manage large managed fleets of taxis
- Only one taxi operator in some country towns (monopolistic)
- Some taxis only driven by operators (i.e., do not ‘employ’ any other drivers)
- Shortage of taxis in weekly peak periods, weekends & at special events
- Government accreditation system to qualify as taxi operators in some States
- Conflict between operators and drivers (i.e., drivers defraud operators)
- Internal telephone booking networks run by groups of operators for private clients (trunk operators/mobile phone ‘networks’ among ‘select’ drivers
- Social golfers.

**Drivers**
- Drivers must have a taxi driver’s certificate
- Drivers must complete a formal course to be issued with a taxi driver’s certificate in most major cities (country towns exempt)
- Part time & full time drivers
- Shortage of drivers for all shifts but mainly night-shifts
- High turnover of new drivers because they are not suited to the work, too low a pay structure or find other jobs
- No educational pre-requisites required to undertake taxi driver certificate training
- Experienced drivers can choose (to a degree) which shifts they work (‘good money-takers’). Newcomers are often doing the slow shifts. Some owner-drivers practise “cherry-picking” (drive the good shifts themselves)
- Poor public image in the media
- No holiday-pay, sick-pay or superannuation
- Low hourly rate for drivers compared to other occupations
- Long shifts (12 hours minimum)
- Very low levels in membership of drivers’ associations & union membership
- Need only a basic knowledge of English
- Majority of new drivers are NESB because of the long hours and poor working conditions (low barriers of entry – help from fellow-countrymen)
- Dangerous occupation, i.e., assault, robbery, abusive and/or drunk passengers, car accidents
- Competition amongst drivers for passengers (“outing”)
- Low level of Occupational Health & Safety provisions/enforcement.

**Business**

- Taxi turnover $80,000 – $120,000 per annum per cab (conservative)
- Taxi Shift Takings – 50% to 70% cash, balance on ‘dockets’ and credit/EFTPOS/CabCharge cards
- High taxi licence cost – up to $270,000 (1999 level)
- Very competitive between depots/taxi companies, drivers among themselves and with other transport modes (e.g., Limousines and Private Hire-Vehicles
- Drivers are on low pay structures (allegedly between $7.00 and $9.00 per hour)
- Creditcard/CabCharge dockets can be exchanged for cash by taxi-depots, “factorers”/money-lenders & at some service stations
- Status of drivers – deemed employees, independent contractors, bailees
- Payment arrangements – set pay-ins or commission splits
- Taxi operators began in the industry as drivers
- Redundancy packages used to buy taxi business
- High failure rate by assignee operators
- Assignee operators have poor business skills
- Drivers & operators have innovative tax practises
- Tips not recorded
- “Off-the-meter-jobs” by drivers
- Low level of tax-compliance.

**Sociological**

- Variety of motivational factors effect individuals
- Many sub-cultures in the industry
- Male dominated industry
- Ethnic background of industry
- 90% of new drivers – NESB
- Risk of attacks
- Antagonism between drivers and operators
- Drivers & operators trying to maximise individual gains
- Mature aged owners
- Low levels of education
- Impact of casino/pokies culture
- Some passengers are drunk.

**Economic**

- No industrial disputes
- No collective bargaining by drivers
- Competition with other transport providers – trains, hire-cars, community buses, et cetera
- Investors are buying & leasing-out licences
- Economic conditions affect demand
- Weather affects demand
- Interest rates
- Fuel costs including tax
- Means of transport for the poor
- High business failure rate for assignees
- Driver levies (insurance contributions and bonds)
- Capital Gains Tax on sale of licence
- Viewed by some as a “tax-free-job”
- Can avoid Child Support Agency /maintenance payments
- Department of Social Services fraud
- Non payment by runners (fraud by passengers)
- Government fare subsidy schemes (Multi-Purpose Taxi Programme)
- Impact of drink-driving laws
- Competition from other transport service providers
- Threat of the full de-regulation of the industry (National Competition Policy)
- Driver’s second job for “extra cash”.

**Psychological**

- No one profile fits all
- Wide variety of characters
- Ignore ATO
- Fear ATO
- No risk from ATO
- No interaction with ATO
- Culture = taxi income is tax free
- Paperwork averse for income tax assessment purposes
- Job of last resort for drivers
- ‘Mobile Battlers’
- Independence (own boss)
- Risk-takers (out to ‘beat the system’)
- Competitive
- Very opinionated
- Work ethic (long hours)
- Low-skill job
- Low perception of drivers
- Very negative
- Loners. (Source: ATO—TIPT Melbourne.)
ENDNOTES

1 The national Taxi-Industry Partnership Team (TIPT) comprises ATO officers who exclusively deal with the lodgements of taxi-drivers and operators, and are responsible for the composition of intelligence reports, comparative earning ratios and industry-specific regulatory advice to the ATO’s Commissioner of Taxation. Most TIPT members represent the ATO during meetings of the Taxi-Industry Partnership, which is responsible for building and maintaining relationships with all stakeholders in the taxi-industry, the ATIA and community contacts. Moreover, the TIPT is part of the inter-regulatory collaboration between the ATO and, for example, State/Territory employment regulators, treasuries and transport policy-makers.

2 A detailed profile and fuller description of BISEP-factors pertaining to the industry and cabbies can be viewed in Appendix 2 of this chapter. As president of a regional taxi-drivers’ association, during the 1990s, I have personally contributed to the development of the BISEP profile for taxi-drivers.

3 Under the new rules, an owner-operator supplies the cab to a bailee-driver on the basis of a split-commission or a fixed-rental. The monetary value of that arrangement itself is subjected to a GST component, which for the driver becomes a tax input-credit and for the owner-operator the source of income. Moreover, the gross takings of a bailee-driver contain a 10% GST component—paid for by the consumer—that is collected and must be returned to the ATO together with the BAS. Based on those submitted BAS figures, the ATO is then able to ascertain what each party’s tax liabilities are (GST and PAYG). Even if one party does not submit at all, or submits differing figures/data, the ATO is able to match the information from the parties and enforce correct compliance. As explained previously, to circumvent the implications of cross-referencing, parties may agree to a certain amount of ‘skimming’ (collusion) and ensure that their figures match before submitting their respective BASs. As was suggested during the Sydney focus-group, bailee-drivers who drive under ‘Method Two’ have greater opportunities for tax-evasion than drivers who operate on a split-commission arrangement.

4 Since the research was carried out, State transport regulators and most Australian taxi-depots have introduced a system that operates along the lines suggested. That is, drivers will only be able to log into and access the cab’s computer dispatch and communication terminal by using their taxi-driver license number. The latter is linked to their ABN so that depot-management and/or owner-operators also have access to information that discloses who is driving the cab during particular shifts. However, it is my understanding that these data are not available to the ATO but are chiefly used for logistical reasons or to reduce drivers’ embezzlement of revenue to which an owner-operator or depot is entitled. Privacy legislation appears to be the main stumbling block for the ATO.

5 During 2007 and 2008, I have spoken with cabbies and industry-leaders who were members of the original focus-groups in Melbourne and Geelong, on a number of occasions. In Melbourne, the influx of drivers and operators from the Indian and African continents, as well as from Arabic-speaking nations, has resulted in an alleged formation of ‘ethnic enclaves’ within the industry. Geelong has most recently (January 2008) been hit by strikes (the temporary abandonment of cabs during peak hours) among NESB drivers (“Indians”) following a number of serious altercations between cabbies and passengers. According to my informants, the major factors that have caused drivers’ disputes with passengers are language difficulties, a lack of driving skills and unfamiliarity with local geography. It has been suggested that an increasing number of unlicensed cab-drivers are driving for large fleet-operators as a result of the exodus by experienced night-shift drivers, in particular. The VTTD has recently (2008) recruited an additional 30 enforcement officers to audit the legitimacy of cab-drivers in both cities and “apply the taxi-cab regulations to the letter of the law” in an attempt “to sort out the big mess”. The attacks on Melbourne’s drivers in July 2008 have resulted in a total blockade of the inner-city by angry cabbies and required the personal intervention from the Minister responsible for transport and taxi-safety issues in order to restore adequate taxi-services.

6 In Sydney alone, there are some 700 taxis that are organised in trunk-groups, which use mobile phones and a two-way radio network to accommodate the bookings of their ‘regular fares’, outside the formally accredited service-bureaux. The taxi-cab (transport) rules and regulations prohibit the use of “non-authorised devices in taxi-cabs” and the passing-on of fares to other cab-drivers. The appeals to the transport departments by the ATIA to ban trunk-operators are aimed at stopping the leakage of bookings and thus bureau-fees that will otherwise be processed by the accredited organisations—
protection of their existing monopoly (For further details, see Cabbie Magazine, Issue No. 3, Vol. 5 2004:3-6).

7 A driver's total takings during a shift, on which Income Tax needs to be paid, can be calculated by multiplying the amount of GST collected by a fraction of eleven (11). Likewise, the earnings of both operator and driver can be calculated applying the split-commission percentage of total takings during a shift, as a base.

8 According to the group of trunk-operators in Melbourne, their own research (carried out for the possible launch of an additional, independent service-bureau in Victoria) showed that annual sales nationally were estimated to be around $2.4 billion in 2004. Figures from the Cash Economy Taskforce, in 1996, estimated that on the basis of annual sales of the national taxi-industry of $1.5 billion, the amount of lost tax-revenue was between $80 million and $120 million (that is, between 5.33% and 8.00% of sales). Based on the estimated 2004 sales figures of $2.4 billion and by applying the ATO’s own percentages, the amount in lost revenue could be somewhere between $128 million and $200 million. The focus-group participants in Melbourne (2004) estimated that the amount of lost revenue in income-tax alone (that is, excluding GST revenue) would be at least $100 million.

9 The 1996/1997 test-case was fully funded by the ATO. Of the total legal bills, which are rumoured to have been in excess of $4 million, a little over $2 million represent the legal costs that have been incurred by the ATIA alone (ATO operative, Canberra).
6. Responsive Regulation: A Critical Reflection

This final chapter will revisit the main components of the overall thesis and provide a brief summary of the main theoretical contributions and practical implications that the research project has produced. In addition, the concluding part of this chapter will evaluate the case-study, offer some suggestions for future research, and make recommendations to the ATO.

The thesis has explored how structural factors, deeply entrenched in the taxi-industry, continue to influence tax non-compliance by Australian cabbies. This case-study has been a first attempt to provide a more sociologically-oriented and critical explanation for their non-compliant behaviours. The study’s social action approach stands in contrast with the predominantly criminological literature and psychological research that underpin and direct the ATO’s current compliance enforcement measures for the taxi-industry.

The research was designed to unravel the interplay between industry-specific social relations, institutional arrangements and regulatory dynamics that, in varying combinations, frustrate improvements to the voluntary tax compliance from cabbies. The data from the focus-group interviews have provided rare insights into the motives, attitudes and justifications for their ‘deviant’ behaviours. Likewise, the evidence from the ATO contains admissions that could have significant implications for its existing regulatory measures and future enforcement strategies that are aimed at the taxi-industry and the private passenger-transport sector at large.

Themes surrounding cabbies’ non-compliance have been emphasised to demonstrate how a myriad of forces warrant challenging the congruity of applying a ‘one-size-fits-all’ compliance model by the ATO. More significantly, by adapting Kloosterman & Rath’s (2001) concept of “mixed-embeddedness”, this thesis has demonstrated that the overall regulatory framework and other policy environments (that is, including all State or Territory regulations pertaining to cab-drivers) need to
be taken into consideration by the federal tax-regulator. The findings of this study question the ultimate success of narrowly defined, responsive tax-enforcement approaches that continue to be chiefly based upon the tenacious assertion that cabbies’ compliance behaviours can be held to be attributable to individual, rational agents. The research has explored how socially constructed and institutionalised cultural arrangements within the industry carry a great deal of weight in explaining the seemingly irrational decisions by individual cabbies to evade paying tax.

Finally, this case-study can be regarded as a contribution to the controversial kind of “public sociology” that Michael Burawoy (2005) has referred to while promoting an essential integration of “professional, public, policy and critical sociology” (see Braithwaite 2005: 345). As such, this case-study has made an attempt to mobilise awareness, and a more publicly and politically informed debate about the life-world of Australian cab-drivers who, as a silenced minority, have hitherto not been heard with regard to the structural inequalities and significant power differentials that dominate their industry. In addition, the study’s contribution to “public sociology” may become a starting point for a better informed discussion on public accountability of Australia’s various tiers of government and the federal tax-regulator with regard to revenue-raising matters that are rarely spoken about, but have significant implications on the equitable distribution of everyone’s civic responsibility to contribute to the common good.

In chapter one, three main issues have been addressed. First, the importance of the ATO maintaining proper levels of compliance and the negative effects on revenue streams that are caused by a flourishing cash-economy have been discussed. Secondly, the chapter has provided the backdrop against which the current regulatory enforcement measures for the taxi-industry are to be viewed. Thirdly, the chapter has illustrated how the persistent use of a predominantly precarious workforce, and the complexity of industrial relations that operate throughout Australia’s taxi-industry, significantly affect compliance matters.

This introductory discussion has set the scene for the study’s epistemological postulate that the main focus for a critical analysis of tax compliance behaviours should be focused at the social network level and a researcher’s in-depth exploration of group dynamics. However, the inter-connectivity between structural forces and
networked social actors is neither purely produced by, nor limited to, the social interactions within the industry alone. The tax-regulator is but one, albeit significant, agent of social control that will have to negotiate, re-negotiate and perhaps revise its lack of presence or social distance in relation to the many different players and changing composition of the industry’s stakeholders.

By analysing taxpayers’ accounts, one is able to demonstrate that tax-compliance and non-compliance are socially constructed (as well as reinforced) through complex economic, political, cultural and legal processes that produce, and may unintentionally exacerbate struggles and resistance. From a study of the narrative accounts that cabbies offer about non-compliance, it is possible to reconstruct their illegal actions into sub-culturally meaningful decisions that are made to express collective resentment towards an exploitative work environment and in defiance of regulatory controls. In ATO language, cabbies’ subjective accounts contain rich motivational postures and carry meaning that express resentment, negative attitudes and defiant intentions with regard to more voluntary compliance.

The second chapter provided an overview of the main theoretical concepts that have been adapted and applied to this case-study. This grounds the thesis in the field of economic sociology. The concept of “embeddedness”, which can be traced to the work of Karl Polanyi (1944), lies at the heart of economic sociology. Following Emirbayer and Goodwin, it has been argued that an analysis of social networks provides a broad strategy for investigating a multitude of interactive social forces and is a proficient “mode of structuralist inquiry” (1994: 1414). Further to this, embeddedness is characterised by notions of reciprocal trust and people’s access to “network capital” (Rothengatter 2005) that exists within cabbies’ social networks.

By extending Granovetter’s “sensitising concept of embeddedness” (2004) the second chapter has laid the foundation for introducing the pivotal concept for the thesis. That is, the concept of “mixed-embeddedness” (Kloosterman & Rath 2001) can be used fruitfully to explore the ongoing difficulties that the ATO faces by applying a ‘siló-approach’ to cabbies’ non-compliance and not considering sufficiently the broader regulatory framework that impacts on taxi-workers. Conversely, State and Territory transport regulators—who have the sole jurisdiction over the taxi-industry—have hitherto not taken up the ATO’s coercive suggestions to align their rules and
regulations that apply to cabbies. Hence, a national core, single form of regulation that can be applied effectively to every Australian taxi-driver has not been achieved as yet. As a result, tensions and conflicting regulatory interests that exist between federal and State/Territory agencies continue to fuel structural opportunities for tax non-compliance.

Chapter three provided a discussion of the research method that was deployed for this case-study. First, the main characteristics of taxi-services, the peculiar remunerative arrangements, the composition of the industry and different regional environments in which the selected focus-group participants operate, have been described. Secondly, this chapter has discussed the alignment of ontological, epistemological and methodological concepts and postulates that have been used in developing the case-study. Thirdly, the main reasons for the choice of conducting focus-group interviews and in-depth interviewing as vehicles for producing the study’s qualitative data have been provided. Lastly, the chapter has discussed the main ethical considerations and how some of the dangers and confrontational challenges (Lofland et al. 2006) that researchers may experience by conducting focus-group interviews can be overcome.

The discussion of methodological underpinnings for the study’s interpretivist approach was followed by an overview of theoretical insights that justify the use of focus-group interviews. It has demonstrated how Layder’s (1998) “Adaptive Theory” can be used to apply a methodology that teases out the multi-layered nature of the social life of cab-drivers. In addition, Layder’s approach has contributed to developing a form of data analysis that combines pre-existing theory and theory generated from the data analysis, while exposing the connections between system and life-world. This style of analysis of the stories among networked cabbies has made it possible to reconstruct environmentally contextualised interpretations and a fuller understanding of their main motives, meanings and subsequent techniques for neutralising guilt about their non-compliance. The main consideration has been that focus-group interviewing, as an interactive process, can tap into peoples’ “practical consciousness of their actions that stem from their immediate” and lived-experiences (Hamel 2001: 346-7). Applying Stokes & Hewitt’s (1976) concept of “aligning actions” has made it possible to argue that non-compliance is a collective responsive and the safeguarding of culturally acceptable deviant actions against the regulatory
efforts by the ATO to eradicate cabbies’ illegal behaviours. Alternatively, the ATO’s
titivated regulatory discourse, as analysed in this case-study, can be regarded as an
attempt to produce new meanings for the ways in which cabbies identify themselves,
conceive of their job and should regard their duties and responsibilities in promoting
the New Tax System’s integrity vis-à-vis fellow-citizens. More significantly, the ATO’s
regulatory discourse and views with regard to the States and Territories contain the
economic-rationalist elements that direct its role as the custodians of the tax
environment in an era of New Federalism.

Chapters four and five provided the in-depth analyses of the study's tape-recorded
data. In summary, conversations with cabbies and operatives from the ATO have
made it possible to discern the most significant factors and themes that explain
hitherto unknown dimensions of cabbies’ non-compliance. Likewise, the discussions
with ATO personnel produced the regulator’s formal views and justifications for its
rational enforcement measures in order to curtail cabbies’ non-compliance since
2000 with the introduction of the New Tax System.

6.1 Evaluation
My general interest in economic sociology, practical experiences with cab-driving and
studying the sociological literature on deviance in the workplace have significantly
influenced the decision to explore tax non-compliance among cabbies. Moreover, my
previous research (1999) on tax non-compliance by ethnic small-business operators
in Australia (in collaboration with the late Dr. Bruce Wiegand) have inspired me to
further develop and apply Kloosterman and Rath’s use of the concept of “mixed-embededness”.

The political dimensions of my journey in developing a case-study on
Australian cabbies stem from the work of Bertramsen et al. (1991) with regard to the
interrelationship between the state, the economy and society. As such, this thesis
has made an attempt to integrate “regulation theory” and a “strategic-relational
analysis" that is based on “a convergence which emphasises the ‘primacy of
politics’”(xxviii) while exploring tax non-compliance by cab-drivers. Following their
Foucauldian application of the multi-dimensional aspects of power, it can be argued
that hegemonic regulatory processes are fully grounded in social institutions and
practices, which produce discursive formations of united thoughts, values and
practices that support the interests of the dominant stakeholders of the taxi-industry.
The main theoretical contributions of the thesis can be summarised as follows. The field of economic sociology has been enriched by further critiquing the narrow, neo-liberal interpretations of the economy as comprising rational actors who are devoid of emotion and compassion, and a lack of recognition for people’s sentiments with regard to structural inequities. The New Tax System does not address imbalances and power differentials adequately, whereby taxpayers’ strong expressions of collective resistance towards politically engineered hegemonic discourses and practices are ignored. The latter practices can be extended to apply to the inter-regulatory struggles for dominance that are inherent in Australia’s system of governance and the separation of powers under federalism.

The thesis has explored how the federal government’s neo-liberal economic approaches, and “risk-management based” (Roach-Anleu 2006) exercise of social control, by the ATO, does not respond adequately to the changing dynamics and social relationships within Australia’s market-driven economy. More significantly, subjective risk assessments by technical experts in taxation matters are never neutral, value free or without their own overt political risks associated with distributive justice and resultant conflicts among competing interest groups. Underpinned by Weber’s social action theory, the case-study has illuminated the dynamic role that cabbies’ beliefs, values and historical memories play in their practical responses and interpretations of the recently introduced enforcement measures. By applying a social action approach, it has been revealed how a much wider range of socio-economic and politico-legal arrangements can both constrain and enable cabbies’ tax non-compliance.

The thesis has made a valid contribution to scholarly debates about the various ways in which the concept of “embeddedness” can be applied to socio-economic research and theory within economic sociology. This extension has been achieved by discussing various critiques since Grannoveter’s (1985) re-introduction of Polayani’s original idea. Chapter two has demonstrated the significance for recognising that both material and non-material aspects of economic behaviour, which have their own analytical autonomy, contribute to the social construction of meaningful actions. Consequently, the thesis has been able to provide and link the relationship between culture, agency and social structure. In particular, it has emphasised how cultural environments and the diversity of geographical locations in which cabbies work, give
shape to their deviant identity, occupational role, individual goals and personal aspirations.

For extra gravitas, the thesis has shown how deeply entrenched structural factors and different social forces are able to stimulate tax non-compliance within social networks. As such, this case-study has revisited Burawoy’s (1982) classical work and observations that deviance in the workplace is ultimately a struggle for control by workers, and how they are able to circumvent collectively both company rules and a government’s regulations by motives other than purely instrumental ones. The case-study has confirmed Hollinger et al.’s (1992) applied research and provides sound evidence for an inverse relationship between workplace arrangements of people who are employed in precarious jobs, and tax non-compliance that exists in occupational settings in which taxi-drivers operate. The non-compliant occupational culture of the industry and weak normative ties that could restrain cabbies’ tax non-compliance goes to the heart of the ATO’s regulatory dilemma (cf. Sheahan & Smith 2003).

This part of the thesis has led to further refinements of a research method that is able to bridge the macro-micro gap. By using focus-group interviews, researchers are able to extract various endogenous factors that influence an individual’s motives and meanings with regard to compliance behaviour. This qualitative method can be extended and applied to a range of legislative spheres that involve the circumvention of enforcement rules and breaches of regulatory measures by a wider variety of people in different industries.

The main theoretical contribution of this thesis has been the application of Kloosterman & Rath’s (2001) concept of “mixed-embeddedness”. My personal struggles with the concept during the initial phases of the study have resulted in re-discovering its potential for explaining how a mal-integrated regulatory framework affects and contributes to opportunities for the non-compliance by individual taxpayers. I have applied and extended the concept to a context that lies primarily outside the study of immigrant entrepreneurs in isolation, while addressing the contradictory spectrum of forces that create industry-specific opportunities for people who operate in passenger-transport businesses. The fact that the Australian taxi-industry comprises a significant number of NESB cab-drivers is not a coincidence,
but is to be regarded only as a different and more restricted dimension that I could have developed in more depth.

Nevertheless, the major key to a more comprehensive understanding of socio-economic behaviour of taxi-operators and their drivers is to incorporate the overall range of legislation, national laws and full gamut of regulatory rules that affect social relations. Consequently, by following Kloosterman and Rath’s (2001: 2) analytical insight, the thesis has paid particular attention to the “more abstract embeddedness” of taxi-drivers in a diversified “socio-economic and politico-institutional environment” that exists in Australia. As such, I have been able to extend the comparative analysis to a broader population, as well as involve an extensive range of regulators: that is, by including networks that comprise both NESB and non-NESB drivers and operators, while being able to draw more extensively on the peculiar arrangements and relations that exist between federal government and the States/Territories. Finally, the re-discovery of the concept of mixed-embeddedness has extended the notion that tax-regulators themselves are embedded in social relations of governance that create structural loopholes for taxpayers. For New Federalism to work more efficiently, all tiers of government in Australia require a much closer cooperation and willingness to align one another’s regulatory frameworks and enforcement measures with regard to the taxi-industry and its players.

The research project’s schedule of questions generated fierce debates on several contentious issues during all focus-group interview sessions. As shown in chapter four, the graphic details of antagonistic interchanges between some owner-operators and drivers are good indicators of the tense relationship that exists between them. My role as moderator has been tested on all occasions while—supported by insider knowledge and lived-experiences—it has been possible to direct the sessions into a deeper questioning of underlying telling issues pertaining to non-compliance. As a result, some cabbies’ use of colloquial ‘pearls of wisdom’ and their bravado vis-à-vis the ATO, in particular, have consistently been challenged during the sessions. On the other hand, frustrations, anger, resentment and expressions of contempt that were generated by taxi-owners and contracted drivers have made it, at times, hard to maintain the required analytical distance and a non-partisan judgement about the discourse. However, on balance the case-study’s focus-group data can be said to have generated fascinating insights into hitherto unknown Taxi-BISEP factors, as
well as resonate with a rich degree of industry-specific, regional and ecological validity.

The detailed analysis of focus-group interview data has confirmed that cabbies have a high level of “discursive consciousness of regularised relations of autonomy and dependence” (Giddens 1979: 7) that affect them in their day-to-day struggles to make a decent living, while holding resentment towards the dominant stakeholders within their industry. The ATO is regarded as protecting the interests of the latter and accused of lacking any apparent intentions to promote the establishment of a fairer and more equitable social contract for bailee-drivers. Framed in this adversarial scenario, tax-enforcement measures are seen merely as hurdles that can be jumped—either in part or in full—and non-compliance is a gesture of revenge. Voluntary compliance is a term that was not mentioned too frequently or part of a cabbie’s vocabulary during any of the study’s moderated interviews.

The different discussions with ATO operatives have reflected most of the issues that were raised during the focus-group interviews with cabbies. The same applies to the hunches, experiences and conjectures that guided my line of questioning for the interview with the ATO’s National Manager of the Taxi-Industry Project Team. These data show evidence of a technocratic, experimental and a risk-management approach towards tax-compliance enforcement (Roach-Anleu 2006: 92-93). The ATO’s strategies are in line with the ATO’s goals and objectives that were recommended by the Cash Economy Task Force (1998). Moreover, the data reflect the ATO’s ongoing research and reliance on the work of scholars that has hitherto been published through the Centre for Tax System Integrity (CTSI).

The interviews and informal discussions with ATO personnel have confirmed that the concept of mixed-embeddedness can be applied fruitfully to gaining a better understanding of the nexus between the marginalisation of taxi-workers and their tax non-compliance. Nevertheless, there are good reasons to suggest that the ATO’s “responsive regulation” has been presented as the ‘rebadging’ of practical enforcement measures that are underpinned by criminological interpretations and a brusque application of unsophisticated social control theories.
6.2 Future Research

In order to fully utilise notions of mixed-embeddedness and discern locality-specific behaviours of Australian cabbies effectively, more data from ATO operatives in the States and Territories will need to be obtained. My existing interview data could be supplemented by reports from State-based ATO officials to determine the extent of their familiarity with the industry’s problems. The additional reports would also provide more insight into the extent of flexibility and discretion that regionally based ATO operatives may exercise in their actual enforcement activities.

Nevertheless, for the ATO to draw its conclusions from developments within the most powerful States (Queensland, Victoria and New South Wales) would seriously undermine its efforts to gain a fuller understanding of all relevant BISEP-factors that may create a more effective National Compliance Model. Conversely, data from the missing jurisdictions may strengthen my proposition that the States/Territories’ political and economic interests, and the ATO’s suggested “minimalist tax-enforcement approach”, are contradictory ones.

However, much can also be gained from a cross-cultural study and comparison with data obtained from, for example, the taxi-industries in The Netherlands or Sweden. In these countries, all cab-drivers (other than owner-drivers) are regarded and rewarded as employees. This comparative research may provide Australian tax-regulators with additional insights about the full extent of (mixed-embedded) elements that represent a mixture of mature politics and a less ambiguous incorporation of BISEP-factors that stimulate systematic acts of non-compliance. As the ATO acknowledged during the interview, taxi-operators should be held responsible for managing their drivers, which can be achieved, provided that States and Territories align their legislation. My personal expectation is that Australia’s States and Territories will eventually be seduced—albeit partly coerced by the GST/Grants Formula—to introduce a new system of Industrial Relations, which will make Australia’s bailee-bailor relationship a thing of the past.

Nevertheless, from a tax-administrative point of view, this comparative social research may demonstrate that withholding tax at-the-source by an employer of cab-drivers, and third-party reporting requirements, will significantly decrease opportunities for tax evasion. It could also show that the complexity of Australia’s
current enforcement measures for the industry is counterproductive to gaining a higher level of voluntary compliance by drivers. In addition, drivers’ negative perceptions about horizontal and vertical inequities are likely to be lesser factors to justify tax non-compliance when cabbies are able earn a decent income and have access to worthwhile secondary employment benefits.

With regard to the positive changes that the New Tax System has allegedly brought about for the Australian taxi-industry, there was not one interviewee in the study who believed unequivocally that the new compliance measures are practical, fair, or will lead to a significant improvement in the level of voluntary compliance by bailee-drivers. To the contrary, strong suggestions were made that Australia’s cash-economy has grown and has created additional non-compliance opportunities for cabbies. Furthermore, many interviewees believed that the ATO is constantly ‘clutching at straws’ and does not fully comprehend the complexities of their industry, in spite of its efforts to access better intelligence. Consequently, cabbies showed little appreciation of the complexity of the tax-system as contained in various Government Acts and Tax-Rulings which comprises a “total of 13,500 pages and 9.5 million words” (Ingles 2004). In short, the practicality of the administrative procedures that apply to cabbies under the New Tax System is not regarded as a simplified, user friendly, or much easier to comply with system. Its persistent complexity affects cabbies, especially from Non-English-Speaking-Backgrounds (NESBs).

Further research is also required to account for the significant shifts in the population of drivers and the composition of the industry’s main stakeholders. The ATO’s own Taxi-BISEP factors have indicated that about ninety percent of all cab-drivers are from a NESB. Even though this case-study’s research contains contributions from ethnic Italian, Dutch, German, Greek and English cabbies, it has been unable to recruit participation from more recent immigrants to Australia. In particular, drivers from the Indian and African continents, the Middle-East and Asian countries have remained silent when invited to talk about taxation matters, which in itself is an interesting, and possible telling, case in point. However, anecdotal evidence and accusations by participating drivers in the different metropolitan centres about the dubious compliance morale of these “intruders” warrants further investigation. The concept of mixed-embeddedness and its analytical power is well-placed for providing
a better understanding of their motivational postures with regard to their civic loyalties and tax obligations that apply in their adopted country.

Future research should also be conducted on the effects of the rising numbers of large service-bureaux (infrastructure monopolies), absent landlords (investors in taxi-licences) and the different forms of re-regulating the overall passenger-transport sector by the States and Territories. The data of the focus-group interviews and discussions with the ATO have already indicated that increased competition from means of transport other than taxis may give rise to innovative, new ways for dodging taxes. Limousines and Private-Hire Vehicles—free from the compulsory use of sealed tariff-meters—would have to be considered as good candidates for more specific BISEP-research and profiling by the ATO.

6.3 Conclusion: Revisiting Cabbies' (In-) Voluntary Compliance?

Australia's taxi-drivers are involved in work processes which modify aspects of the formal rules which apply to the taxi-industry, and a multitude of politico-institutional rules which operate in society. In complex ways, the actions of taxi-drivers provide indicators of meanings that direct those actions. Different forms of cheating by cabbies are endemic to the industry. However, the activity is also an integral part of the job by which actors give meaning and expression to an existing power imbalance between themselves and their cab-owner principals.

The regulatory authorities that affect the industry and its workers are perceived as being synonymous with a political system that protects mainly the financial interests of the owners of multiple taxi-licences who dominate the industry. Legislative changes that could mitigate the poor working conditions and levels of remuneration have not been forthcoming, and many drivers report a feeling of “being left out in the cold” throughout the most recent processes of workplace reforms and deregulation of other industries.

Many full-time drivers regard their job as temporary, and for most is seen as an avenue of last resort to have paid work while looking out and hoping for a “real job” to improve future life-chances. In times of increased demands for labour (and for manual labour, in particular) many cabbies seem to be entrapped in this precarious industry. For others, taxi-driving remains a convenient second job that provides
additional income to meet their own new consumer demands or mitigate the increased costs of living. The common characteristic is that for most cabbies, taxi-driving has not fully "become part of their lives and can easily be divorced from their own self-image" (Vidich, 1976: 28). Low levels of commitment to the industry, in combination with the instant cash rewards the job offers, stimulate persistence in the use of various structural opportunities for tax non-compliance. It is rationalised by different motivational postures that are chiefly aimed at “neutralising guilt” (Sykes & Matza 1957; Minor 1981) while continuing to be fuelled by manifestations of “pluralistic ignorance” (Wenzel 2001).

The analyses of conversations with cabbies and their subjective accounts that ensued during this study’s focus-group sessions have produced fascinating insights into the non-compliant behaviours that exist in these microcosms of a national industry. Their insights are to be extrapolated into the specific context of the tax regulator’s attempts at tackling the industry’s cash-economy by utilising national enforcement strategies based on a responsive compliance model. Alternatively, this study’s research data have provided observations in respect of incorporating salient factors and sociological notions that may assist with the regulator’s refinement of its responsive regulation vis-à-vis the taxi-industry. In broad terms, the areas that warrant further attention by the ATO involve environmental, cash-economy and regulatory enforcement factors.

The first observation is that local subtleties and differences in the composition of taxi fleets can contribute towards increasing voluntary compliance. The closer personal and business relationships that owner-drivers have with workers appear to provide sound opportunities for changing deeply entrenched non-compliant attitudes and established ‘deviant’ norms that operate in this industrial culture. Alternatively, an increased ATO presence, practical contributions, and more direct access to cab-drivers’ networked social capital is to a degree productive, making possible the achievement of certain ends that in its absence would not be possible (Coleman 1988: 98). Tapping into these small networks can diminish current perceptions about the ATO’s intimidating stances and its lack of advocacy on behalf of marginalised workers.
The sociologically-inspired literature (discussed in chapter two) that deals with workplace deviance, crimes and social control has neither lost its explanatory power nor potential in regulatory application. For example, by adopting Hirschi’s (1969) and Sampson & Laub’s (1990; 1993) insights on the primacy of the quality and endurance of social bonds, the ATO may be able to increase its influence and social control (both formal and informal) within these small, interdependent networks of reciprocal social relations and trust. The ATO’s recent promotion of more efficient safe-keeping arrangements and a voluntary remittance of a driver’s GST collections by taxi-operators is a case in point. Furthermore, it may provide the ATO with better access to the different sources of both social and network capital that can influence or modify a taxpayer’s behaviour at the individual level. In short, the ATO will need to diminish its social distance vis-à-vis drivers more convincingly.

This opportunity for ATO presence in small networks stands in stark contrast with the social distance of service-bureaux that control and operate large numbers of taxi-licences on behalf of investors and its drivers. Multi-licence operators take no personal interest in their drivers’ welfare, nor have close connections with their part-timers and casuals who drive within the same fleet. As emphasised in chapter two, minimal subjective connections to the work organisation stimulate deviant practices (Hollinger et al. 1992). In addition, the four elements that, independently or in combination, could restrain deviant conduct (attachment, commitment, involvement, and belief) are very weak in the taxi-industry as a whole, and are recognised for their ineffectiveness on individual players who are always in direct competition for a fare with one another, in particular (see Hirschi 1969; cf. Mars 1982; Vidich 1976). Consequently, manifestations of reactive tax non-compliance are (particularly in environments of low commitment and distrust) much more difficult to eradicate than to establish broader acceptance of the ATO’s responsive regulation by parties who have a greater stake in their respective livelihoods and call for a more equitable tax system.

The second observation is that levels of perceived autonomy, flexibility, and the cash attractions of the job continue to be held and shared widely by most drivers and owner-operators. The States and Territories, in contrast to the ATO, are not overly concerned about a continuation of the ways in which different financial and licensing arrangements make the industry tick. Conversely, the ATO, excusing itself on the
basis of a lack of jurisdiction over the industry, only prolongs the regulatory ‘shemozzle’ between federal and State/Territory regulators. The lack of convergence between what is in the national interest, and what appear to be political priorities for regional policy-makers, has major implications in respect of mitigating non-voluntary compliance. Without either regulatory entity claiming full responsibility for legislating the New Tax System’s required alignment of control mechanisms that are able to diminish non-compliance, motivational postures that promote profiteering are likely to continue. The mutual benefits of tax evasion can always be protected by a conspiracy of silence, as long as the data on the Business Activity Statements from both parties correspond, thus preventing the regulator from discovering evasion through cross-referencing.

More significantly, evidence from the Sydney focus-group interview, in particular, has convincingly demonstrated that a ‘cat-and-mouse’ approach to seeking voluntary compliance is particularly ill-suited for collecting taxes in New South Wales’ taxi-industry. Controlling cash-economy transactions from drivers who operate under the Method Two arrangement is inherently impossible. Drivers are able to determine their own level of compliance within a broad margin, chiefly because, as one participant stated: “it just can’t be proved otherwise what my precise income is” (Sydney focus-group). Under the existing enforcement approach to compliance, the collection of taxes remains but another administrative and legally imposed hollow form of discourse that may help to win elections. However, it does little to encourage the civic sentiments and attitudes that necessarily underpin the more inclusive culture of voluntary compliance.

The third and final area of attention is the regulatory responses of the ATO as part of Australia’s national tax reforms that are driven by the inherent changes of a globalised economy. Whereas many different industries and sectors within the economy have been able to redistribute the increase in the nation’s collective wealth equitably in some fashion, cabbies feel that they have missed out altogether. They continue to struggle with the harsh economic realities of making a daily living, while the real money is made elsewhere. In such a scenario, tax non-compliance continues to be framed as a legitimate “defence of necessity” (Minor 1981). Moreover, the re-regulation of taxi-licences, service-bureaux and associated forms of rationalisations within the passenger transport sector may have produced significant benefits for
consumers and for the new investors who dominate its capital-intensive infrastructure. To them, tax minimisation is a legitimate strategy to express an interpretation and give meaning to the term social justice. Tax non-compliance by cabbies is their collectively responsive, practical interpretation and expression of revenge ‘because they can’. Their collective moral outrage about perceived injustices and possible actions merely reiterate deeply entrenched social group norms and behavioural expectations. In short, it’s part of their game.

The major regulatory dilemma that remains for the ATO is how to deconstruct and rebuild a culture in which judgements of approval for non-compliant standards and practices of cabbies concur very closely to those that are prevalent in Australian society as a whole. To be sure, Australia’s national psyche contains strong undertones of a laconic irreverence for formal authority. Moreover, many cabbies seem to merely reflect the defiant sentiments that were once expressed by billionaire Kerry Packer before a Senate Select Inquiry, in 1991:

I pay what I’m required to pay; not a penny more—not a penny less. If anybody in this country doesn’t minimise their tax, they want their heads read because, as a government, I can tell you you’re not spending it that well [so] that we should be donating extra.

Revoking the widespread “pluralistic ignorance” (Wenzel 2001b: 2) among cabbies is not a simple task. It will even be more difficult be to change the deeply entrenched culture of non-compliance, which is supported by the “Taxi-Mafia”, owners-operators and drivers alike. Alternatively, it would make perfect regulatory sense to modify the relationships that give rise to the exploitative features that maintain and reiterate drivers’ perceptions of injustice, unfairness of the tax-system and sense of “horizontal inequity” (Taylor 2001: 6-8). The ATO thus far maintains its traditional activities of deterrence and enforcement of sanctions that are based on a “tit-for-tat” regulatory style—“regulation that is contingently provokable and forgiving” (Ayers & Braithwaite 1992: 19-53). It does so at its own peril. A hegemonic risk-management approach to tax-compliance and enforcement game-playing are mutually exclusive means to promote the integrity of Australia’s New Tax System. In the eyes of cabbies, the ATO’s contradictory enforcement measures with regard to their industry are a far cry from the tax-regulator’s own mission statement: “Building a Better Australia.”
6.4 Epilogue

Since the commencement of the case-study on cab-drivers and the final stage of writing this thesis, Sagit Leviner (2008)—a senior researcher with the Internal Revenue Service (IRS) in Washington DC—has recently published a journal article applauding the ATO’s introduction of its responsive, regulatory compliance model. Moreover, it is suggested that the Australian regulator’s novel approach to non-compliance may herald a promising beginning of a new era of tax enforcement at an international level.

In her article “An Overview: A new era of tax enforcement – from ‘big stick’ to responsive regulation”, Leviner explores an alternative solution to tax non-compliance that is based upon the traditional proposition that “effective enforcement requires a dynamic and gradual application of less to more severe sanctions and regulatory interventions”. The approach balances “authoritarian deterrence with strategies that rely on persuasion and encouragement through three stages of communication—cooperation, toughness, and forgiveness”—incorporating Braithwaite’s reintegrative shaming thesis. According to Leviner, responsive regulation preserves the economic principle that taxpayers are rational-calculative actors in pursuit of “maximum utility”, while considering “the way society, morality, and ethics affect taxpaying behaviour and, particularly, the manner in which the taxpayer – tax administration relationship shapes compliance” (2008: 361).

Leviner’s comprehensive article relies on the research and assorted range of publications from Australia’s Centre for Tax System Integrity and its associated national and international scholars. Her discussion on horizontal and vertical equity; the effects of pluralistic ignorance; taxpaying behaviour as a social activity; appeals to civic virtue; certainty of detection and severity of punishment; and the role of enforcement policy (2008: 367) is fully supported by the dominant social-psychological literature that underpins the ATO’s current Compliance Model. As such, her article does not contain surprises or warrants a revision of the discussion and conclusions that my thesis has produced.

Nevertheless, while paying attention to Braithwaite’s excellent concept of “motivational postures” (Leviner 2008: 367-6), the article remains exclusively focused on compliance, as held to be an individual attribute, and tax-enforcement as a game
that regulators should learn more about as to how to play it better. Alternatively, successful compliance enforcement can be achieved by activating sufficient fear of prosecution and the subsequent severity of punishment, directed at resistant, disengaged or game-playing individuals who are in an “increasingly defiant state of mind” (2008: 367).

My thesis has argued tenaciously that the structural forces that underpin cabbies’ motivational postures with regard to the upper-echelons of defiance of the tax-system (resistance, disengagement and game-playing) are deeply and culturally entrenched in work patterns. The historical, cultural and organisational formations within the taxi-industry are highly resistant to change and to rational risk-management approaches. In addition, formal mechanisms that can be used by the ATO to detect non-compliance of cabbies in the first place, remain limited. The mal-integrated regulatory framework that affects the industry continues to fuel ample opportunities for non-compliance. Most significantly, cabbies are not at all interested in talking to cooperative, helpful operatives during information (let alone ‘plea-bargaining’) sessions, that the ATO hopes, will “reconnect taxpayers with tax-administrators and eventually elicit voluntary compliance” (Leviner 2008: 368).

As this thesis has demonstrated, acknowledging the ATO’s role and influences, as part of the regulatory forces that influence cabbies’ persistent use of structural opportunities, and resultant benefits from the unintended consequences of Australia’s mal-integrated regulatory framework, deserves more scholarly attention. More significantly, critical sociologists have a civic duty to contribute to public discourses that may bring about changes for the better and for marginalised minorities, in particular.

1 During a 2004 visit to The Netherlands, I have conducted two pilot focus-group interviews with Dutch cab-drivers. My preliminary analyses of the transcripts confirm that tax-evasion does not rate highly as an area of great concern. Alternatively, by working in a fully deregulated taxi industry environment (Nationally), their wages as employees (through unionised enterprise bargaining), OH&S issues and superannuation entitlements are of much greater interest.
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