



**Chairman's Address  
Annual General Meeting  
Wednesday, 16 November 2011  
Sheraton on the Park Hotel – Sydney**

Cabcharge is an Australian Company of which we should all be proud. Our success is based on vision, innovation, commitment and diversification. We have now been in business for 35 years and grown from being a co-operative to providing a national alternative payment system to cash for taxi fares and a diversified ASX 200 company. Today we are a technology, financial services, taxi payments and passenger land transport company. While much has changed, some things have not – in particular our ability to look ahead and create opportunities for improving services to our customers and the general community through investing in leading technology and product innovation. Nor have we forgotten our roots – we remain committed to supporting the Taxi Industry nationally and helping to make it one of the most technologically advanced Taxi Industries in the world serving metropolitan, regional and country centres nationwide. At a time when there is a range of competitors (most of whom are charging a 10% service fee) we are still branded as monopolistic and some regulatory authorities unfairly treat us to the advantage of our competitors. Little do they realise that without Cabcharge and its 10% fee there is little chance of competition and the Taxi Industry would be a cash business for everyone.

Our core Taxi Payments business has changed dramatically. When we started, the only option we offered was a Cabcharge blue docket and other cards were processed using a “click clack” machine. Today, our state of the art contactless EFTPOS terminals can electronically process all credit and debit chip and contactless cards, as well as those remaining with magnetic stripe. This includes bank issued cards such as MasterCard and Visa and third party cards such as AMEX as well as our own products. The Cabcharge product range has expanded to include the contactless **FASTCARD**, eTICKETS and Gift cards as well as dockets. These developments have not only enabled us to increase payment choices for the general community and Cabcharge account holders, but also to assist Governments who have an obligation to care about the transparency and accountability of the use of public money. In offering more secure, faster and easier to use forms of payment for those with mobility constraints through the use of our smart card technology this has been achieved in Victoria, Queensland and the Northern Territory. Some other States are currently tendering for electronic rather than paper based systems given the advantages, especially in relation to cost, accountability and fraud prevention.

The Taxi Services business has also grown and changed. In the past, the only way to book a taxi was via telephone and dispatch was via radio broadcasts. Today, customers can book via Interactive Voice Response (IVR), the internet or smart phone applications. Dispatch is automatic via our new system and provides taxi operators and drivers with more detailed information on bookings and trips to help them manage their businesses. Our contact centres are now more efficient and more responsive to the needs of passengers and drivers. We also provide a wider range of services to support

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taxi operators and drivers including vehicle leasing, loans, insurance, equipment installation, smash repairs, driver training and many other services to encourage a work ethic and the importance of customer service and relationship.

Underlying many of these improvements has been our investment in the Group's technology capabilities and subsequent ownership of intellectual property rights where the unique characteristics of the Taxi Industry require customised solutions. For example, the software for our payment system, smart phone booking applications and the Askari security camera have all been developed in house. The quality of what we do is evidenced by the growing reputation of our subsidiary, EFT Solutions, in developing software solutions for the general payments industry with clients including three of the four major banks, two major retailers and Australia Post and increased work with such clients.

For many years your Board has recognised the importance of diversification to the continued success of the Group. In 2005 Cabcharge, together with ComfortDelGro Corporation Limited (Singapore), formed a joint venture company, ComfortDelGro Cabcharge Pty Ltd (CDC) – with ComfortDelGro owning 51 percent and Cabcharge 49 percent of the business. It purchased the Westbus Group in New South Wales followed by the Baxter private bus business and Toronto Bus Services and later the Kefford Group in Victoria. CDC is now the largest private bus operator in Australia with a total fleet of 1548 buses as at 30 June 2011.

Cabcharge has a longstanding relationship with ComfortDelGro, one of the largest land transport companies in the world. Together we also own CityFleet UK, on the same basis as CDC. CityFleet provides account, booking and dispatch services for taxis and private hire vehicles in London, Edinburgh, Aberdeen, Birmingham and Liverpool. It also offers one of the most sophisticated coach services in the UK.

The wisdom of our continued commitment to diversification is evident in the results for 2011 where the equity accounted contribution from our associates increased by 16.6% to \$14.9m and represented 24.4% of the Group's profit.

Overall, we again delivered a solid result for shareholders for the 2011 financial year. Group profit before non-recurring items (NRI) is up 6.1% to \$61.1m from \$57.6m in 2010. Earnings per share (before NRI) has also rebounded to 50.7 cents from 47.8 cents in 2010 – an increase of 6.1%. These results are driven by a combination of revenue growth and careful attention to controlling our operating costs. Group revenue grew from \$174.5m to \$184.5m, an increase of 5.8%. EBITDA and EBIT (before NRI) are up by 7.3% and 5.8% respectively. Your Board declared and paid a final dividend of 20 cents per share, a full year total of 30 cents per share fully franked.

Total Payment System turnover increased to \$1.033 billion, up 2.8% on 2010. Turnover from bank issued cards increased to \$473m, up 3.7%. Although turnover from third party cards declined to \$137m, Cabcharge branded card turnover increased by 5.8% to \$423m. We consider that, in a market characterised by low levels of confidence and consumers being cautious with their discretionary spending, 5.8% growth in Cabcharge card turnover is a very positive outcome for 2011. It has been our goal to achieve a rebound for our Cabcharge brand, and we are very encouraged by this early success.

On the Taxi Services side of our business, we are also pleased with the strong revenue growth of 8.4% from \$77.1m to \$83.6m, attributable to an increase in the number of taxis electing to use our Network services in both NSW and Victoria, with additional licences being issued in both States. Our investment in new dispatch technology for

our fleets, our focus on the needs of taxi operators and drivers and our range of products and services all contributed to the result.

What is particularly pleasing about the results is that all our major businesses grew, demonstrating the ongoing resilience of our business model in tough times. If you think you have it tough read History Books and remember Oscar Wilde's quote: "If you don't get everything you want think of the things you don't get that you don't want".

The bus business of our associate, CDC, demonstrated outstanding growth in profit contribution, up 20.9% from \$10.9m to \$12.2m, reflecting increased services and improvements in operational management. We have reinvested in the business of CDC as the opportunities for growth have been, and continue to be, excellent. CDC recently won the Bus Industry Confederation Environment and Innovation Award 2011 (Australia/New Zealand) as well as the Bus NSW Environmental/Innovative Operator of the Year Award. These awards recognised our achievements in the development of both the St Marys and Foundry Road depots, noting our commitment to the environment and the need for modern facilities to meet the needs of our workforce and the community, as demand for public transport continues to grow. This followed CDC winning the 2011 Australian Business Award for Project Management for the same developments.

Looking ahead, we are confident about our prospects. This is supported by our results for Q1 2012 which are beyond all expectations but we will remain cautious given the current economic uncertainty.

In the core payments business, cash remains our main competitor and conversion to other forms of payment remains our single most significant opportunity for revenue growth. We expect to benefit from general growth in card use for taxi fares as a direct result of consumers becoming more familiar with the new contactless technology and enjoying the convenience of contactless cards over cash.

Both MasterCard and Visa have been vigorously marketing the use of contactless cards for transactions under \$100. We expect AMEX to follow and are currently working with them to meet their scheduled deadlines in implementing contactless functionality for their cards. Marketing by the major banks and card issuers complements our own marketing efforts and will assist in educating consumers, account holders and taxi drivers on the benefits and security of contactless technology. Our EFTPOS terminals will also support the coming generation of smart phone payment applications. For example, the Commonwealth Bank is currently piloting a smart phone NFC contactless application which is supported by our Cabcharge terminals.

EMV activation which enables acceptance of all contactless cards by our terminals in addition to the Cabcharge **FASTCARD** commenced in June this year and is almost complete with the exception of Victoria where piloting is underway on some software modification required for the taxi transport subsidy scheme. We are very pleased with the growth in contactless transactions to date and expect significantly higher growth rates in the coming months. Australia is now the first country in the world where contactless cards can be used extensively to pay for taxi fares. Another important feature of EMV activation is that it enables acceptance of China Unionpay cards, where we expect significant transaction growth in future years.

We also expect to see revenue growth through increasing use of Cabcharge products. We are adopting a much more proactive approach to both our existing and potential Cabcharge account holders given our success to date and continue to reinvigorate our sales and service model. Our product innovation is also continuing with our contactless

**FASTeTICKET** which has been developed to complement the **FASTCARD** – the **FASTeTICKET** being a single-use product. It is another world first in the Taxi Industry and we anticipate considerable interest from other countries, particularly because of the security features.

Cabcharge's market leadership in a very competitive market has come as a result of innovation and investment in leading technology. Our payment equipment is specifically designed for use in taxis, integrates with other taxi equipment including meters, meets Payment Industry standards and consequently provides a more secure and comprehensive service to passengers and drivers. The next stage will be the introduction of the Integrated Payment Platform (IPP) to replace the existing ageing in-taxi payment engine which links the EFTPOS PINPad to the Cabcharge and NAB transaction processing centres. The current engine is becoming expensive to maintain and it is difficult to source components. The IPP is the equivalent of replacing a normal mobile phone with a smart phone and is just as revolutionary. As with the current engine it will be supplied free of charge to taxi operators who choose to use our system as part of the Cabcharge EFTPOS terminal package. The major difference is that taxi operators can pay a fee to have other additional applications downloaded - for example, meter and camera applications. The meter application will automatically record both the fare and any tolls on the PINPad and have "over the air" fare and toll updates. This will make fare calculation much easier for drivers, increase transparency for consumers and reduce the potential for disputes. The IPP costs less than the current engine and through the incorporation of other features such as a contactless reader will support new payment options which can't be done through standard terminals.

In Taxi Services we expect to see continued fleet growth as a result of increased taxi licences in both States. In Melbourne, the release of the 530 licences previously announced by the Victorian Government was completed in September 2011. In NSW, there was a tender at the end of June which will result in a net increase of 197 licences to be rolled out by June 2012.

We expect the NPAT contribution from CDC to again increase in the coming year as a result of the full year impact of new services and growth in services and passenger demand. In New South Wales the integrated bus networks we implemented in 2009/2010 are proving popular with the travelling public, with positive patronage trends in each Region. The environment and community benefits of this active transport choice helps deliver the NSW Government's strategic transport objectives. In both New South Wales and Victoria, the majority of our services are in areas with fast growing populations.

A lot has been said and written about remuneration and the two strikes rule. In my life I have never seen anything as ridiculous as investors having to be "guided" by the "misguided" on how to vote. The proxy advisors have really become the de facto decision makers for institutional investors. It must be humiliating to be unable to think for oneself and to invest and not have the common sense to be able to make a decision as to whether or not they are happy with the performance of a company in which they are shareholders. To have to rely on self proclaimed experts is a very sad reflection on their ability to think and act for themselves. Fortunately our investor base is too wise in most cases to be misled by advisors who, despite their possible best intentions, have no chance of forming a properly balanced view of a company's performance in the time they have available to do so and advise. Our voting trends and support by our group of sophisticated investors is greatly appreciated – we will not let you down.

Just as Qantas knows, success makes you a target for a sad but vocal few, and Cabcharge is no stranger to being a target.

There are those who 'hang off' the Industry – waiting for us to innovate and release new products then conjuring up the cheap knock-off that doesn't quite have all the same safeguards but is called 'competition'.

Then we have the peculiar example of the regulators who want to wait for the competitors before they approve anything new – this has occurred recently with the new automatic tolling feature in our meter which makes fares transparent. Most State Governments have embraced this innovation, but one State has 'competition concerns' which seem to be more persuasive than the public benefit.

We will always be dubbed a 'monopoly' no matter how many competitors enter the market, and those competitors will continue to be blessed by some regulators and media despite the fact their contribution to the Australian Taxi Industry is simply to milk rather than contribute to its growth and outcomes. Where's their corporate responsibility – how much do they give to the Industry to help keep regional networks afloat, how much do they spend on new products and services to better customers' experiences? Sadly, nothing.

Yes, this does have an impact on morale, and it can wear you down. The taxi drivers and the industry in Victoria should be applauded for the spirit they have shown in this most difficult environment – we can all take this lesson about focussing on customer service and business success rather than being bogged down by detractors. I say to our colleagues in Victoria – we stand next to you and we share your approach to what is good and right for our passengers.

Cabcharge continues to go from strength to strength because we have the right vision. Over the next few years we will continue to develop and release innovative products which help those working in the Industry and deliver an even better service for passengers. We will continue to harness the power of technology – the contactless transaction is just the start of what can be achieved with the right platform and approach to research and development. And finally we will continue to diversify and build on initiatives with CDC. For shareholders, this ultimately comes down to the finances – our balance sheet remains strong and our vision is delivering benefits.

So in conclusion, I thank you for contributing to our success – whether as a staff member, a colleague in the taxi or bus industry, a partner or an investor. Together we are achieving great things and our growth strategy is on track and ticking all the boxes on the way through.



Reg Kermode  
Executive Chairman

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