

Transport »

Technical Paper - Urban fare schedule

Maximum rank and hail taxi fares from 1 July 2025 14 March 2025

1 Summary

This technical paper sets out our modelling considerations in developing the draft urban fare schedule recommendations which we present in our Draft Report. We are seeking feedback on our draft urban fare schedule recommendations and whether there are better ways to adjust fares, with the aim of ensuring an adequate supply of rank and hail taxis to meet passenger demand in urban taxi fare regions in NSW.^a

We are holding an online technical workshop on 20 March 2025, which you can register for here. At the workshop we will demonstrate our modelling and seek feedback on:

- our modelling approach and considerations
- how we've rebalanced the urban fare schedule to arrive at our draft recommendations
- the alternative options for fares that we present in our Draft Report
- if there are better ways to rebalance fares to achieve desirable outcomes
- what else we should consider in making recommendations for our Final Report.

We have included specific consultation questions throughout the paper and seek your comment on those, as well as any other aspect of this paper. We will consider your feedback when we make our final recommendations to the Minister for Transport in May.

Have your say

Your input is critical to our review process. You can get involved by making a submission by **1 April 2025** or attending our technical workshop on **20 March 2025**.

Submit feedback »

Register for the technical workshop »

^a The urban fare area includes: the Sydney, Newcastle, and Wollongong Transport Districts; the Blue Mountains, Central Coast, and Shellharbour Local Government Areas; and the townships of Cams Wharf, Fern Bay, Minmi, Toronto, Williamtown, Medowie, Campvale, Ferodale, Raymond Terrace, Fassifern, Hexham, Maitland, Beresfield, Fullerton Cove, Tomago, Camden, Picton, Thirlmere, Tahmoor and Bargo.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

2 Our draft findings support a rebalance of urban fares in favour of higher fares for shorter trips

Overall, we found that rank and hail taxi supply is generally able to meet passenger demand in NSW, with the following exceptions where supply and demand are in imbalance:



Wheelchair accessible services

We found that there is significant unmet demand and excessive waiting times for passengers who need a wheelchair accessible taxi (WAT).



Services for passengers travelling short distances We found that there was undersupply caused by drivers refusing to supply services, especially in Sydney and particularly at Sydney Airport.



Services for passengers travelling long distances from Sydney Airport We found that drivers queue for hours at Sydney Airport with the aim of getting a passenger making a long trip.

Our draft recommendation for the urban fare schedule aims to address the latter 2 issues by reweighting fare components (flag fall and distance rate) in favour of higher fares for shorter trips, to reduce the incentive to refuse short fares, or to queue at Sydney Airport for long periods of time with the aim of getting a longer fare.

We adjusted the current urban fare schedule to develop options for the draft recommended urban fare schedule

The draft recommended urban fare schedule (Table 2.1) rebalances the urban current fare schedule to favour shorter trips by:

- increasing the flag fall from \$3.60 to \$5.11
- employing a two-tiered distance rate which is:
 - slightly higher by around 2% for the first 12 km
 - lower by 8% thereafter

The draft recommended fare schedule also adjusts the waiting time rate so that at the threshold speed (26 km/h) the fare is accruing at the same rate whether distance rate or waiting time rate is charged. The fare components also include a 2.2% CPI adjustment for the 2024-25 financial year.

Table 2.1 Draft recommended maximum fare components for urban rank and hail taxi services compared to current levels

Fare Component	Current level	Draft recommendation
Hire charge (flag fall)	\$3.60	\$5.11
Peak time charge ^a	\$2.50	\$2.56
Distance rate/km	\$2.29	\$2.34 (first 12 km) \$2.11 thereafter
Night rate ^b /km	\$2.73	\$2.79 (first 12 km) \$2.51 thereafter
Waiting time	\$56.68/hour (94.4c/min)	\$60.85/hr (101.4c/min)

a. Applied in addition to the flag fall, 10pm – 6am on Fridays, Saturdays, and evenings prior to Public Holidays b. Applies between 10pm – 6am all nights of the week

We are considering other ways to rebalance urban fare components

In our Draft Report, we specifically seek feedback on 2 other proposed fare structures that similarly rebalance urban fare components in favour of short fares (Table 2.2 below). These options also include a waiting time rate that reflects the threshold speed (26 km/h) and accounts for a 2.2% CPI adjustment for the 2024-25 financial year.

The rationale behind these other fare options is:

- Option 2 is similar to the proposed option, except that it uses a single distance rate that is lower than the current distance rate (as opposed to a two-tiered distance rate)
- Option 3 increases flag fall to \$9 but also decreases the distance rate to \$1.75/km, which is closer to the current standard fare structure for rideshare.

We discuss the merits and drawbacks of these fare structures in section 3 and section 4.

Table 2.2 Alternative fare options we are considering

Fare Component	Option 2	Option 3
Hire charge (flag fall)	\$5.11	\$9.00
Peak time charge	\$2.56	\$2.56
Distance rate/km	\$2.21	\$1.75
Night rate/km	\$2.65	\$2.10
Waiting time ^a	\$57.46/hr (95.8c/min)	\$45.50/hr (75.8c/min)

a. Waiting time is a calculated field based on the standard distance rate to reflect that it kicks in below 26 km/h. Therefore the waiting time rate (c/min) is equivalent to the distance rate x 26 / 60.

Seek Comment

Are any of our alternative options more effective in rebalancing fares towards short fares compared to longer fares. How would they affect:

- a. passengers' demand for short trips or drivers' willingness to accept short trips?
- b. passengers' demand for long trips or drivers' willingness to accept long trips?

Fares can also be rebalanced in many other ways

There are many ways to rebalance fare components to encourage drivers to accept shorter trips. We consider that an appropriate fare schedule should be non-decreasing (i.e. the fare for a 2 km trip should be at or above the fare for a 1 km trip) and continuous (i.e. the fare for a 2 km trip shouldn't 'jump' from the fare for a 1.99 km trip).

The following methods can be used to rebalance fares in favour of shorter trips:

- increasing flag fall (proportionately increases short fares by more)
- decreasing the distance rate (longer fares proportionately decrease by more)
- split distance rates (where the distance rate declines the further travelled)
- a minimum fare (short fares that would normally be below the minimum fare would increase)
- a maximum fare (long fares that would normally be above the maximum fare would decrease).

Fare rebalancing can be achieved in many different ways by using the above methods (and various combinations of them) to adjust fare components by different amounts. Our goal is to increase fares for short trips enough so that drivers are less inclined to refuse them, and to reweight the incentives for drivers to excessively queue at Sydney Airport for a longer fare. We also do not want to impede on the affordability of short trips for passengers or the financial viability for drivers to provide a long trip. We are keen to hear your feedback on how we can best rebalance fare components to achieve these outcomes.

Seek Comment

2. How else could we rebalance fares so that drivers are more willing to take short trips, and less inclined to queue at Sydney Airport to wait for a long trip?

What prices would most effectively adjust taxi supply to meet passenger demand?

We understand that adjustments to the fare schedule may not be very intuitive at first glance as fares for different trips have to be calculated from the adjusted fare schedule. We would also like to hear what *prices* you think would be appropriate across a selection of trips of different lengths (see Table 2.3) so we can better understand how fares should be adjusted to achieve the outcomes we want.

Table 2.3 Basket of various taxi trips

Trip	Short local	Short city	Local	Average	Medium	Long	Very long
Distance	2 km	1 km	5 km	10 km	25 km	40 km	55 km
Waiting	3 min	12 min	3 min	3 min	4 min	5 min	6 min
Example	North Sydney to Cremorne	Opera House to QVB (in traffic)	Kingsford to SCG	City to Chatswood	City to Parramatta	City to Kellyville	City to Penrith

Seek Comment

- 3. For passengers: what is the most you'd be happy to pay for each of the trips in Table 2.3? Exclude tolls and levies from your considerations.
- 4. For taxi drivers: what is the lowest fare you'd be happy to take for each of the trips in Table 2.3? Exclude tolls and levies from your considerations.

3 We considered the effect of fare rebalances on the prices of a variety of taxi trips

We modelled the impact of adjusted fare schedules on the prices for individual taxi trips to understand how changes would affect what a passenger would typically pay and what a driver would make for a variety of different rank and hail taxi trips.

Our draft recommended fare schedule aims to minimise the impact on overall fare levels, so as to not impact overall driver take-ins and to minimise the financial impact on passengers making short trips. Our alternative options have similar effects but of different magnitudes – Option 2 is more similar to our proposed option but Option 3 further increases the prices of short trips and further decreases the prices of longer trips. Table 3.1 shows how maximum fares for a variety of trips would change as an effect of the alternative fare options.

Our draft fare recommendation has been inflated to FY25/26 dollars (as fares will apply from 1 July 2025), but we consider that across a variety of trips, total fares under our draft recommendation are relatively comparable to total fares across a variety of trips under current fare levels in FY24/25 dollars. That is, while short trips become more expensive and longer trips become cheaper, the lowered revenue from long trips could be offset by higher revenue from short trips.

Trip	Short local	Short city	Local	Average	Medium	Long	Very long
Current Fares	\$12.33	\$18.54	\$19.20	\$30.65	\$65.95	\$101.24	\$136.53
Draft Rec	\$14.15	\$20.94	\$21.17	\$34.90	\$66.00	\$98.66	\$131.32
\$ change	\$1.82	\$2.40	\$1.97	\$2.36	\$0.05	-\$2.58	-\$5.21
% change	15%	13%	10%	7%	0%	-3%	-4%
Option 2	\$13.72	\$20.14	\$20.35	\$33.32	\$65.51	\$99.62	\$133.73
\$ change	\$1.39	\$1.60	\$1.15	\$0.78	-\$0.43	-\$1.62	-\$2.81
% change	11%	9%	6%	2%	-1%	-2%	-2%
Option 3	\$16.09	\$21.17	\$21.34	\$31.61	\$57.10	\$84.11	\$111.12
\$ change	\$3.76	\$2.63	\$2.14	-\$0.93	-\$8.84	-\$17.13	-\$25.42
% change	31%	14%	11%	-3%	-13%	-17%	-19%

Table 3.1 How our fare schedule options affect a basket of taxi trips

We are considering how we can achieve the best balance of fares to address the supply and demand issues we mentioned earlier. We are keen to hear your feedback on how we can effectively rebalance fares to achieve these outcomes. We are especially interested to know what prices would be appropriate for both shorter and longer trips, and how we can improve on our draft recommendations to get the balance right.

We are holding a technical workshop on 20 March 2025 where we will demonstrate our modelling and seek your feedback on how we've rebalanced fares. If you have any queries about the session or if you would like us to model your proposal(s), please contact a member of the review team.

4 We considered the aggregate effect of fare rebalances on the taxi industry

We used the Sydney Taxi Model to understand the possible effects of fare changes

As a part of our review process, we used the Sydney Taxi Model which we used previously in our 2013, 2014, and 2015 reviews of taxi fares and taxi licences. We updated the model to reflect the changes in the taxi industry since then, including the removal of supply restrictions, and the changes in passenger demand profiles and taxi cost structures that have occurred since then.

How the Sydney Taxi Model works

The Sydney Taxi Model takes the inputs outlined in Table 4.1 below:

Fare Scenario Inputs	 fare components (flag fall, distance rate (day and night), waiting time, and peak time charge, as well as a booking fee) fare settings (the days/hours when the night distance rate and peak time charge apply)
Economic Inputs	changes in overall costsoverall demand growth for taxis
Calibration Inputs	 driver/operator costs, derived from our 2024 survey driver 'on road' information including booking share (60% - from our driver survey) and number of trips per taxi (derived from passenger service levy data) hour/day passenger demand profiles (<i>when</i> a passenger might want a taxi), derived from Melbourne taxi data, Sydney Airport queue data, and P2P's Smart CCTV taxi rank data the average trip, derived from the \$31.4 average fare from the driver operator survey

Table 4.1 Inputs for the Sydney Taxi Model

The Sydney Taxi Model takes the inputted fare components and settings, and derives the price of *the* average trip (i.e. applying the fare components to whatever is inputted as the average trip), and then solves for the long run equilibrium conditions in each hour of the week, based on the combination of:

- taxi entry conditions (i.e. would a driver drive in the hour, given the price of *the* average trip in that hour, based on which tariffs apply)
- waiting time equation links together the number of taxis on the road in the hour (that entered due to the satisfying entry conditions) and the percentage that get occupied (depending on demand)
- demand equation links the price of *the* average trip, waiting time equation (which includes the taxi entry condition), to the passenger demand profiles.

It derives the whole-of-industry and overall consumer outputs based on how many times *the* average trip is taken in a year (i.e. 52 multiples of the weekly totals) under long-run equilibrium conditions for each hour of the week.

What the Sydney Taxi Model can tell us about fare structure and fare levels

The Sydney Taxi Model is responsive to overall fare level movements. The model's outputs typically change in the same direction but to differing magnitudes when fare levels are adjusted. The model's outputs suggest that using lower fare levels could be beneficial for the taxi industry and passengers, with outcomes including increased passenger demand, increased per-taxi revenue, increased overall consumer surplus, higher taxi utilisation, with only marginal increases in the time that a passenger has to wait for a taxi.

Our model is only indicative for changes in fare structure. As the model only takes the average trip price and length and doesn't apply the fare schedule to different types of trips, it does not show the effects on demand profiles for different types of taxi trips and how they might feed into aggregate outcomes (for example, if passenger demand increases for longer trips and decreases for shorter trips as a result of reweighting fares). We have still used the model as an indicator for the fare options we present, and also as evidence that taxi service providers could decrease fare levels below the maximum levels.

What the Sydney Taxi model indicates for our fare options

We considered how the alternative options presented in the Draft Report would affect the aggregate outcomes of the Sydney taxi market by running them through the model. The first two options performed similarly to the outcomes at current fare levels, but Option 3 performed differently as it resulted in a slightly lower fare on the average trip. Table 4.2 outlines how the 3 options we present in the Draft Report perform in the Sydney Taxi Model.

Table 4.2 Sydney Taxi Model	outputs for the	e fare options	outlined,	compared to
current fare levels				

Fare Option	Proposed option ^a	Option 2 ^b	Option 3
Effective Fare Change	0%	-0.6%	-6%
Consumer surplus	0%	+1%	+9%
Passenger demand	0%	O%	+5%
Number of taxis	0%	0%	-3%
Driver employment (overall driver hours in a taxi)	0%	0%	-3%
Trips per year per taxi	0%	+1%	+8%
Per taxi revenue	0%	0%	+1%
Taxi utilisation	0%	+1%	+8%
Passenger waiting times	0%	0%	+4%

a. The Sydney Taxi Model cannot work with a split distance rate. We used an estimate of around a 5% decrease in the average distance rate as an in-between of the standard distance rate (no change) and a 10% discount after 12 km, to reflect that the average trip in Sydney is a bit longer (and thus the discount will apply to more trips).

b. Option 2 performs slightly different to the proposed option even though they are similar as the equivalent waiting time is lower – by around 5 c/min

What our modelling indicates for different fare levels

We considered the aggregate outcomes of the Sydney Taxi Model to inform our decisions on whether or not fare levels should be increased beyond the 2.2% CPI adjustment we have factored into our draft recommendations. In our Draft Report, we found that current fares were around the right level in the urban fare area, as the current supply of rank and hail services is able to sufficiently meet passenger demand.

From our modelling, we found that increasing fare levels beyond CPI could have impacts at an aggregate level for the taxi industry and for passengers such as decreasing passenger demand for taxis and reducing the number of paid trips that a taxi makes in a year. We found that this could result in lower annual revenue for taxis and lower occupancy rates.

Table 4.3 below presents our sensitivity analysis for various scenarios where overall fare levels either increase or decrease.

Fare Change	Increase 10%	Increase 5%	Decrease 5%	Decrease 10%
Consumer surplus	-14%	-7%	+7%	+15%
Passenger demand	-7%	-4%	+4%	+7%
Number of taxis	+3%	+2%	-3%	-6%
Driver employment (overall driver hours in a taxi)	+3%	+2%	-2%	-5%
Trips per year per taxi	-10%	-5%	+7%	+14%
Per taxi revenue	-1%	-1%	+2%	+3%
Taxi utilisation	-10%	-5%	+6%	+13%
Passenger waiting times	-5%	-3%	+3%	+7%

Table 4.3 Effects of fare level changes on industry outcomes compared to current levels

The model estimates that a decrease in fare levels could result in:

- increased passenger demand for taxis,
- taxis having more running time with an occupied passenger,
- taxis making more paid trips per year, and
- more total revenue per taxi.

The model also estimates that decreasing fares could:

- cause some taxis to exit the industry,
- cause some drivers to leave the industry, and
- marginally increase the amount of time that passengers have to wait for a taxi.

We are not recommending that maximum fares decrease, as we found that the current rank and hail service levels are typically adequate for most types of taxi trips, and thus, current fare levels are encouraging sufficient supply to meet passenger demand. We also note that our recommendation applies to maximum fares and individual taxi service providers could offer competitive pricing with lower fare levels as a business decision.

We are holding a technical workshop on 20 March 2025 where we will demonstrate our modelling. We want your feedback on our modelling approach and how we've used the model to inform our decision making. If you have any queries about the session or if you would like us to model your proposal(s), please contact a member of the review team.

5 We are seeking feedback on how we can best adjust the urban fare schedule

We consider that a rebalancing of the components in the urban fare schedule should help to encourage taxi drivers to take short trips, and to discourage behaviours like excessively queueing at Sydney Airport with the hope of getting a long trip or abusing/refusing service to passengers that are travelling short distances. We want to hear from you as to how we can best do that by adjusting the urban fare schedule.

We also have some other considerations in making our final recommendations for urban rank and hail fares. We note that fare rebalancing shouldn't:

- overly increase short fares so that they become unaffordable (especially given certain populations, such as people with disabilities, or elderly people on fixed incomes, typically make short community trips)
- overly decrease long fares so that these types of trips are refused service on the basis that they are not financially feasible
- excessively increase taxi prices overall (as consumer protection is the primary objective of rank and hail fare regulation).

We would also like to hear what other things we should consider when rebalancing fares, such as the capability of metering technology, or how passengers could perceive higher flag falls or a minimum fare level.

Seek Comment

5. What other criteria should we consider when assessing the appropriateness of a fare rebalance?

We want to continue to hear from you

We want your feedback on how we can best rebalance urban fares to achieve appropriate outcomes for passengers and the taxi industry. We want to hear what you think about our draft recommended urban fare schedule, and whether some of the other options we provide (or a different approach) would be beneficial in achieving our desired outcomes of fare rebalancing. We also welcome feedback on our modelling approach and our other considerations in assessing the appropriateness of fare schedule options.

We will consider your feedback when we make our final recommendations to Transport for NSW in our Final Report, which we will publish in May 2025.

You can comment on any aspect of this Technical Paper. We also have some specific consultation questions on which we seek comment. You can make a submission with answers to some or all of the questions below and/or any other information you think is important for us to know.

We are inviting submissions on this paper until **1 April 2025**. You can make a written submission through the Have Your Say portal on our website.

Questions on which we seek comment

- 1. Are any of our alternative options more effective in rebalancing fares towards short fares compared to longer fares. How would they affect: 3
 - a. passengers' demand for short trips or drivers' willingness to accept short trips? 3
 - b. passengers' demand for long trips or drivers' willingness to accept long trips? 3
- 2. How else could we rebalance fares so that drivers are more willing to take short trips, and less inclined to queue at Sydney Airport to wait for a long trip?
- 3. For passengers: what is the most you'd be happy to pay for each of the trips in Table 2.3? Exclude tolls and levies from your considerations. 5
- 4. For taxi drivers: what is the lowest fare you'd be happy to take for each of the trips in Table 2.3? Exclude tolls and levies from your considerations. 5
- 5. What other criteria should we consider when assessing the appropriateness of a fare rebalance? 10

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