



Independent Pricing and Regulatory Tribunal

2008 Review of Taxi Fares in NSW

Transport — Final Report and Recommendations
June 2008



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1 Introduction and overview

The Independent Pricing and Regulatory Tribunal of NSW (IPART) has a standing reference to investigate and report on prices for taxi services in NSW. IPART reviews taxi fares annually and recommends changes to maximum taxi fares to the Minister for Transport.

IPART has now made its recommendations on changes to maximum taxi fares in NSW from 1 July 2008. These recommendations have been informed by the results of a recent industry survey by PricewaterhouseCoopers (PwC), and submissions in response to PwC's report on the survey, IPART's Issues Paper and Draft Report.

This final report explains IPART's final decisions and recommendations to the Minister for Transport.

1.1 Overview of final decisions

IPART's final decision is that, on average, taxi fares need to increase by the following percentages at 1 July 2008:

- ▼ 3.8 per cent for urban taxis
- ▼ 3.3 per cent for country taxis.

These required average increases reflect the estimated increase in the costs involved in providing taxi services over the past year as measured by the Taxi Cost Index, after adjusting for productivity gains and for the fact that last year's fare increases occurred in late August 2007 (at a higher value than if they had been implemented at 1 July).

In determining how these required average increases should be translated into changes in fare components, IPART has made final decisions to:

- ▼ recommend the removal of the luggage fee
- ▼ recommend an increase in the booking fee of 25 per cent for urban areas and 10 per cent for country areas
- ▼ recommend that the other components be increased roughly in line with the required average increase, to largely retain the current relativities between fare components

- ▼ leave unchanged the current entitlement to charge passengers the return-trip toll on northbound crossings of Sydney Harbour
- ▼ not to recommend the introduction of a charge for the use of children's car seats
- ▼ not to recommend an extension of the hours of the night time surcharge.

IPART also considered a range of other issues raised by stakeholders, including whether additional measures are needed to compensate drivers for the volatility in LPG fuel costs; whether premium taxi services should be able to charge a higher or unregulated booking fee; and whether additional measures are needed to address the additional costs associated with wheelchair accessible taxis. IPART's final decisions on these issues are:

- ▼ That additional measures to compensate drivers for the volatility in LPG fuel costs are needed, and that the appropriate approach is for IPART to include the most recent information available in the Taxi Cost Index (LPG prices to 31 May 2008) and to undertake an additional limited review of LPG fuel costs in December each year. If fuel costs for the 6 months to November have varied by more than 10 per cent (up or down) then IPART would recommend that the distance-based component of fares be adjusted by the change in the fuel costs. If average fuel costs have changed by less than 10 per cent then there would be no fare change.
- ▼ That booking fees for premium taxi services should be deregulated on a trial basis but subject to a maximum charge of \$11, as an interim measure.
- ▼ Not to recommend making an allowance for a WAT incentive payment at this stage. IPART may reconsider the introduction of a fare funded incentive payment once the results of the Ministry of Transport's current six-month trial incentive payment are available.

1.2 List of recommendations

- 1 Maximum fares for taxis in urban and country areas should consist of the components and values shown on Table 6.1.
- 2 Taxis should no longer be entitled to charge a luggage fee.
- 3 In addition to the annual review process, the Tribunal should undertake a limited review of LPG fuel costs in December each year.

If the average daily price of LPG for the six months to 30 November 2008 is more than 10 per cent higher or lower than the average daily price of LPG over the 14 months to 31 May 2008, IPART will recommend to the Minister that:

- Maximum taxi fares should be adjusted to reflect the change in the fuel component of the taxi cost index, and this change should be calculated by dividing the average daily price of LPG (as recorded by Fueltrac) for the six months to 30 November by the average daily price of LPG for the 14 months to 31 May.

- \$145 per taxi, representing the cost of the additional meter change, should be recovered through fares if the threshold is met and fares are adjusted. This should be done through adding an increase to the average fare of \$0.03, which should apply for six months only and should be removed at the time of the annual fare adjustment.
- No changes should be made to the components of the taxi cost index other than for LPG fuel and the cost of the meter change.
- Only the distance-based component of taxi fares should be adjusted.

The limited review of LPG fuel should be conducted in December and any fare change should be implemented on 1 January (subject to how quickly meters and stickers can be updated).

- 4 Premium taxis should be able to charge a higher booking fee for premium services up to a maximum of \$11 (inc GST) for a trial period of 12 months, subject to the following conditions:
 - The higher booking fee should apply only to those passengers that specifically request a premium service.
 - Networks must provide standard services at the regulated booking fee and must notify customers of this option at the time the booking is made.
 - Networks must disclose to the customer at the time of booking the premium booking fee that will apply and the service provided for that fee.
 - Premium taxis must display the booking fee inside the taxi.
 - The higher booking fee should apply only to pre-booked premium taxis. Fares for all taxis hired at a rank or hailed in the street (including premium taxis) would be subject to the regulated maximum fares for determined by the Minister.

An appropriate monitoring regime should be implemented and IPART should review and publicly report on the outcome of the 12-month trial.

- 5 The Government should increase the cap on the TTSS subsidy above the current level of \$30 to take account of increases in taxi fares since the cap was last adjusted.

1.3 Review process

In January of this year IPART released an Issues Paper and the survey report completed by PwC and sought submissions on these documents. IPART also held a public hearing in early March. Following consideration of the PwC report and submissions, IPART released a draft report in April on which it sought written submissions. (See Appendix B.)

IPART has now considered all of that information and has updated its analysis in coming to its final decisions and recommendations, as set out in this report.

1.4 Structure of this report

This report explains IPART's review, final decisions and recommendations in detail. The report is structured as follows:

- ▼ Chapter 2 discusses IPART's role in relation to taxi regulation and its approach to the 2008 fare review, including an explanation of the Taxi Cost Index used to calculate fare recommendations.
- ▼ Chapter 3 sets out the cost items in the Taxi Cost Index and a revised weighting for each cost item.
- ▼ Chapter 4 sets out the inflators used to measure the changes in costs for each item in the Taxi Cost Index.
- ▼ Chapter 5 outlines IPART's findings on the required average increase in fares to recover the costs measured by the Taxi Cost Index, and the approach IPART has used to apply this increase to the fare components.
- ▼ Chapter 6 sets out IPART's recommendations on the fare components, and discusses its decisions on the additional components and other changes requested by stakeholders.
- ▼ Chapter 7 compares the level of costs of providing typical taxi services with the available information on revenue from a typical taxi, in order to determine whether fares are currently at a level that recovers the cost of providing taxi services.
- ▼ Chapter 8 discusses methods for addressing the impact of LPG price volatility on taxi drivers and explains IPART's recommendation for dealing with this issue.
- ▼ Chapter 9 sets out IPART's recommendation to allow higher booking fees for premium taxi services on a trial basis, subject to a maximum charge, as an interim measure, and provides reasons for this recommendation.
- ▼ Chapter 10 discusses issues considered by IPART in relation to wheelchair accessible taxis.

2 IPART's role and approach

IPART has been responsible for recommending annual increases to maximum taxi fares since 2001.

The sections below explain IPART's role in the NSW taxi industry, and provide an overview of the cost index method IPART uses to determine its recommended fares and the reasons for using this method. The final section discusses some of the issues raised by stakeholders that are outside the scope of IPART's fare review.

2.1 IPART's role in the NSW taxi industry

Currently, IPART makes recommendations on maximum fares for taxi services in NSW to the Minister for Transport. After considering IPART's recommendations, the Minister decides on the maximum fares that will apply.

The input costs and returns within the industry are affected by a number of factors, including:

- ▼ Regulatory control of fares (recommended by IPART and set by the Minister).
- ▼ Regulatory control of the 'pay-in', which is the payment made by non-owner or non-operator drivers to the operator of the vehicle. The maximum level of this payment is set by the NSW Industrial Relations Commission (IRC) for urban taxis.
- ▼ Regulatory control of taxi licence costs, which are set by the Ministry of Transport, and other regulations regarding behaviour and service standards.
- ▼ The market power of industry participants, which can affect certain price inputs.

IPART's role in the industry is to ensure that the maximum taxi fare it recommends is set at a level that reflects the cost of providing taxi services to passengers. IPART has no role in allocating fare revenue to the different industry participants (eg, drivers and operators).

2.2 How taxi fares in NSW are determined

IPART uses a cost index that is specific to the taxi industry called the Taxi Cost Index (TCI) to calculate its recommendations. The TCI consists of a basket of taxi cost items weighted according to their proportion of overall costs. Each year, each cost item is changed by an 'inflator'. These inflators are based on data from a mixture of publicly available and industry sources. Both the weightings of cost items in the TCI and the values of the inflators influence IPART's fare recommendations. See Box 2.1 for more information.

Box 2.1 How changes to the Taxi Cost Index (TCI) are calculated

To calculate the annual change in the TCI, IPART takes the current weighting of each cost item and multiplies it by the relevant cost inflator (expressed as a percentage). This gives the contribution of each cost item to the TCI. IPART then sums the contributions for each of the cost items to give the percentage change in the TCI.

The table below shows the change in the urban TCI for 2007 (5.9%) as an example:

	Weighting	Inflator	Contribution to TCI
	%	%	% point
People costs	49.67	3.8	1.9
Plate costs	14.17	19.6	2.9
Fuel costs	8.35	5.1	0.4
Insurance costs	6.22	3.5	0.2
Vehicle parts costs	5.20	3.3	0.2
Vehicle lease costs	4.79	0.2	0.0
Network fees	3.41	1.8	0.1
Other	8.19	3.2	0.3
Total	100	-	5.9

Note: Figures above have been rounded.

Source: IPART, *Maximum fares for taxis in NSW for 2007/08*, July 2007, p 15.

There are separate TCIs for urban and country taxis. In general, these indices include the same cost items, but with different weightings reflecting differences in the cost structure between urban and country taxis.

2.3 Why IPART uses a cost index to formulate its recommendations

In 2006, IPART reviewed the approach it uses to regulate taxi fares and sought views from stakeholders on this approach. IPART decided to continue to use the TCI, but to ensure that the inflators it uses are based on independent and verifiable information as far as possible. It also decided to include a productivity adjustment, and to use the planned survey of industry costs to revise the weightings in the TCI to

ensure they accurately reflect current costs. The survey of costs was not completed in time for the 2007 review, so this year (2008) is the first year in which the results of the survey can be considered.

IPART's approach to regulating taxi fares is consistent with the approaches used in other states of Australia. All Australian regulators use some form of index to determine taxi fare increases. There are different types of cost indices that could be used including:

- ▼ industry specific cost indices – used in NSW, ACT, Qld, SA, NT
- ▼ economic indices (based on an ABS inflator, such as CPI) – used in Vic, WA
- ▼ composite indices (based on weighting different ABS-type inflators).

One reason that an index approach is favoured for regulating the taxi industry is the industry structure. The taxi industry comprises several layers of market participants, each with varying levels of market power and vulnerability to taxi fare outcomes. The layers include:

- ▼ licence owners, who are either owner-drivers or lease their plates to taxi companies or individual operators
- ▼ taxi companies (and co-operatives), who sell bundled services such as insurance and repairs to operators, but who may also manage licence plates and operate taxi businesses
- ▼ operators, who can be owner-drivers, individuals leasing a plate and operating a vehicle, or companies that manage multiple licences, vehicles and drivers
- ▼ networks, which are taxi companies that also provide phone booking, dispatch and safety services (eg, silent alarms) to their members and to other taxi companies
- ▼ drivers, who either drive their own vehicle as an operator, or contract their services to operators (termed 'bailee drivers').

In the first instance, drivers collect all fare revenue. Depending on their terms of employment, they then pay a fee or proportion of their fare revenue to operators. Out of the payments they receive from drivers, operators pay the remaining industry participants (networks, taxi companies and licence owners). (See Box 2.2 for more information.) This type of industry structure lends itself to an index-based approach rather than the more traditional 'building block' approach that is applied in most other regulated industries.

Box 2.2 Participants in the NSW taxi industry**Taxi licence owners**

Taxi licence or 'plate' owners own a taxi licence plate purchased either from the Ministry of Transport (Ministry of Transport) or on the secondary market. Currently, unrestricted Sydney taxi licences are valued at around \$372,000 (March 2008), while the value of plates in country areas varies from as little as \$40,000 to more than \$400,000 depending on the operating area. There are approximately 6,400 taxi plates in NSW, which are owned by around 4,500 licence owners. All licence owners must be licensed by the Ministry of Transport. Many licence owners do not operate a taxi themselves, but enter into a plate lease arrangement with a taxi operator.

Taxi operators

There are around 5,500 taxi operators in NSW, which operate anywhere from one to more than 100 taxis each. All taxi operators must be accredited by the Ministry of Transport after undergoing training. While some operators drive the taxis they operate, many bail out their taxis to bailee drivers. In the Sydney metropolitan area, bailee drivers can choose whether to pay a bailment fee (or pay-in) to the operator for use of the taxi or to share revenue with the operator under a commission arrangement. The majority of drivers in Sydney choose the pay-in method. The Industrial Relations Commission sets a maximum pay-in amount per shift and the commission rates. Under the pay-in arrangement, bailee drivers also have to pay for the costs of fuel used during their shift, and of cleaning the taxi after their shift. In return, they get to keep the remaining revenue they earn during that shift. The taxi operator is responsible for meeting all other costs of running the taxi (ie, all except for fuel and cleaning costs). Under the commission arrangement, the operator pays for fuel and wash costs. In country NSW, taxi drivers typically operate on a 50-50 commission arrangement where the operator and driver each retain 50 per cent of the takings. Under this arrangement, the taxi operator pays for all the costs of running the taxi, including fuel and cleaning costs.

Taxi networks

Under Ministry of Transport regulations, all taxi operators must be affiliated with a Ministry of Transport authorised taxi network. The networks provide a radio booking service and a GPS tracking and alarm monitoring service, and a lost property service. There are currently 12 taxi networks in Sydney.

Taxi drivers

There are 23,000 drivers authorised by the Ministry of Transport in NSW. Some drivers drive a taxi they either own and/or operate while others serve as bailee drivers. In obtaining Ministry of Transport authorisation, drivers must complete compulsory training courses, pass English proficiency assessment and locality knowledge tests in the metropolitan areas.

2.4 Concerns raised in submissions outside the scope of the review

In their submissions to the review, and at the public hearing, some stakeholders (particularly taxi drivers) were critical of IPART's approach to setting fares and the PwC survey. While many of the criticisms related specifically to the fare setting process, a number of the concerns raised are outside the scope of IPART's review. These issues are discussed in some detail in IPART's draft report.

The concerns raised with IPART relate to either the market power of various elements of the industry or to other regulatory processes, such as the conditions of remuneration and entitlements established by the Industrial Relations Commission for taxi drivers in Sydney. The main issues raised by stakeholders were that:

- ▼ drivers receive less than the 'notional hourly wage' and leave entitlements incorporated into the Taxi Cost Index
- ▼ the level of the TTSS subsidy for passengers who require wheelchair accessible taxi (WAT) services should be increased
- ▼ the cost of taxi licences and/or the licence arrangements for WATs should be reviewed or changed
- ▼ performance standards and penalties imposed on taxi networks are insufficient
- ▼ the level of the surcharge for electronic payments imposed by Cabcharge is excessive due to its degree of market power and its involvement in other aspects of the taxi industry.

While these factors are outside the scope of the fare review, they have the potential to impact the effectiveness of fare regulation, the fares that passengers actually pay and the level of service provided by the taxi industry. As a result, IPART considers that it is in the interest of all stakeholders, including the taxi industry that these issues are taken seriously.

IPART has tried to provide as much information as possible in its public reports and considers that the more information that is available the better. IPART remains of the view that there would be value in a full review of the industry that touches upon its structure, its viability and the impact of the regulations imposed. However, this is not a matter that IPART can investigate in the absence of a request from Government, as it is outside the scope of its fare reviews.

3 The cost items in the taxi cost index and their weightings

As Chapter 2 discussed, IPART bases its recommendations on maximum taxi fares on a Taxi Cost Index (TCI) first developed by PricewaterhouseCoopers in 1999. As part of last year's review, IPART reviewed and made changes to the cost items included in the TCI. As part of its 2008 review, IPART has considered further changes to the cost items, and has reviewed the weightings for these items to ensure they reflect the current costs of providing taxi services.

3.1 IPART's decisions on cost items and weightings

Table 3.1 shows IPART's final decisions on the cost items and weightings (as at March 2007) to be included in the urban and country TCI for the 2008 review, and the taxi cost model that underlies the weightings.

IPART considers that these weightings should be used for the 2008 fare review, and for the subsequent four reviews, but adjusted each year according to changes in the relativities in costs that result from the inflators applied in the previous year. However, IPART has identified a number of issues that it would like to review further over the coming years. (These issues are discussed throughout this report.)

These weightings are slightly different from those included in the draft report. The key differences are:

- ▼ The 'notional drivers' labour costs' component has been split into:
 - Notional drivers' wages based on an hourly rate of pay.
 - Driver's entitlements based on a 15 per cent loading on the wage rate.
 - Provision for driver superannuation based on 9 per cent of wages and entitlements.
- ▼ Driver entitlements have been further divided into legal entitlements provided for in the Contract Determination, which are now classified as operators' costs in order to be consistent with the IRC process, and notional self-funded driver entitlements.
- ▼ Holiday pay loading of \$1.90 per hour has been added to the operators' notional wage rate.
- ▼ Vehicle lease payments have been increased to reflect a higher cost of LPG vehicles.

- ▼ Other operators' costs have been reduced to remove double-counting relating to regular cleaning costs.
- ▼ In the country TCI, LPG fuel has been moved from a driver cost to an operator cost to reflect standard practise in country areas.

The subsequent sections discuss in more detail IPART's final decisions on:

- ▼ changes to the cost items included in the TCI for the 2008 review
- ▼ changes to the weighting of each cost item, and how IPART reached its decisions on those weightings.

Table 3.1 IPART's final decisions on cost items and weightings in the urban and country taxi cost indices for 2007

	Urban		Country	
	Costs \$	Weight %	Costs \$	Weight %
Drivers' costs				
Notional drivers' wages	79,326	39.7	80,546	42.5
Notional self-funded entitlements	3,786	1.9	12,082	6.4
Drivers' superannuation	8,210	4.1	8,337	4.4
LPG fuel	13,712	6.9	-	0.0
Other drivers' costs	4,997	2.5	3,163	1.7
Total drivers' costs	110,031	55.0	104,128	55.0
Operators' costs				
Operators' salary equivalent (including entitlements and super)	13,977	7.0	14,192	7.5
Drivers' entitlements in the Contract Determination	8,113	4.1	-	0.0
LPG fuel	-	0.0	12,273	6.5
Maintenance costs	9,886	4.9	8,029	4.2
Plate lease costs	25,000	12.5	19,700	10.4
Insurance	14,958	7.5	8,521	4.5
Vehicle lease payments	5,251	2.6	5,251	2.8
Network fees	6,564	3.3	9,250	4.9
Other operators' costs	6,235	3.1	7,975	4.2
Total operators' costs	89,984	45.0	85,192	45.0
Total costs	200,015	100.0	189,319	100.0

3.2 Changes to cost items in the taxi cost index

IPART has made a final decision to make three changes to the cost items included in the TCI for the 2008 review. Specifically, it has:

1. Maintained a separate notional drivers' wage and added 'drivers' entitlements' and superannuation items.
2. Separated the 'other costs' item into 'drivers' other costs' and 'operators' other costs'.
3. Amalgamated the 'maintenance labour' and 'vehicle parts and panels' items to form a new item called 'maintenance costs'.

None of these decisions affect the outcome of TCI. The rationale for each of these changes is outlined below.

3.2.1 Maintaining separate drivers' wage, entitlements and superannuation items

The most significant cost associated with providing taxi services is the cost of the drivers' time. This cost is not observable, because taxi drivers do not earn a fixed salary; rather, their earnings are based on the fare revenue they generate per shift, minus their costs (which include pay-ins to operators, fuel costs and other costs). However, a value needs to be placed on these costs in order to ensure that fares are sufficient to cover the reasonable costs of providing taxi services. This is done through including 'notional' drivers' labour costs in the TCI.

Notional drivers' wages and notional drivers' entitlements have historically been included in the TCI as separate cost items, and have been estimated on different bases. Driver superannuation has never been included. IPART considers that wage and non-wage labour costs are closely related and should be treated consistently where possible. IPART remains of the view that the opportunity cost approach is the most consistent basis for estimating labour costs in the TCI. (See section 3.3.2).

IPART made a draft decision to create one cost item that is intended to capture the opportunity cost of drivers' time. This opportunity cost includes the cost of wages foregone in alternative employment, plus the annual and sick leave and superannuation entitlements foregone in alternative employment. Under this approach entitlements were classified as a driver cost, recognising the relationship between wage and non-wage labour costs.

In response to the draft report the NSW Taxi Council raised concerns about the compatibility of this approach with the Industrial Relation Commission's Contract Determination, which imposes an obligation on operators to provide entitlements for permanent bailee drivers in urban areas. Other stakeholders have also asked that the various component costs be separated.

In response to these concerns, IPART has decided to retain separate cost items for the notional drivers' wages and drivers' entitlements. It has also decided to separately report drivers' superannuation. To ensure consistency with the IRC process and to provide the information to allow the IRC process to occur without undue cost, IPART has further divided driver entitlements into:

- ▼ entitlements specified in the Contract Determination – entitlements that operators are legally obliged to pay permanent bailee drivers in urban areas, assuming two permanent bailee drivers per taxi
- ▼ notional self funded entitlements – the balance of driver entitlements.

The value of entitlements in the Contract Determination is allocated to operators for the purpose of the IRC process and not for fare setting. As such, the changes to the drivers' labour cost items since the draft report, are presentational and do not affect the results of the TCI or the fare increases recommended. (IPART's rationale for these decisions is discussed in more detail in section 3.3.2 below.)

3.2.2 Separating other costs into drivers other costs and operators other costs

In the 2007 fare review, IPART amalgamated all costs with a weight of less than 2 per cent into an 'other costs' item, and inflated this item using the CPI. At this time, IPART considered that including these small cost items separately made the TCI cumbersome to administer, while each of these items individually had little impact on aggregate movements in the TCI.

The resulting 'other costs' item contained both drivers' and operators' other costs. In their submissions, stakeholders pointed out that this makes it difficult to allocate costs between drivers and operators.¹ It also makes it difficult for stakeholders to comment on the appropriate level and weighting of these costs in the TCI.

To address these concerns, IPART has decided to separate the other costs item into 'other drivers' costs' and 'other operators' costs'. It considers that this will help industry stakeholders provide useful input on other costs. It will also provide more information for the IRC to use when determining the level of the maximum pay-in to operators for drivers in urban areas. This approach is consistent with the approach taken in the draft decision and was supported in submissions.²

3.2.3 Creating a single maintenance cost item

Maintenance labour and vehicle parts and panels have historically been included in the TCI as separate cost items. However, both are direct costs to operators of maintaining a taxi and in practice are difficult to separately identify. As these cost items are closely related, IPART considers that it makes little sense to continue to separate them in the TCI. In addition, IPART has made a final decision to inflate

¹ See Australian Taxi Drivers Association submission, p 12.

² For example, NSW Taxi Council submission, May 2008, p 6.

both items by the same inflator (see Chapter 4). Therefore, IPART considers it more appropriate to combine them into a single item. This approach is consistent with the approach taken in the draft decision.

3.3 Revised weightings in the taxi cost index

For the TCI to continue to accurately measure changes in the cost of providing taxi services in urban and country NSW, the weightings of the cost items need to be periodically reviewed to ensure that they reflect the costs faced by the industry. To this end, the NSW Ministry of Transport commissioned PricewaterhouseCoopers (PwC) to undertake a survey of the costs in the taxi industry in August 2007. PwC provided a report outlining its recommended weightings, which IPART released publicly with its Issues Paper in February.

To reach its final decisions on the weightings to apply for the 2008 review, IPART considered PwC's report and recommended weightings. It also considered stakeholders' responses to this report, and their views on the appropriate weightings provided in submissions and at the public hearing held on 11 March 2008. In particular, IPART carefully considered the submissions from the Australian Taxi Drivers Association (ATDA), the NSW Taxi Drivers Association (NSWTDA), and the Taxi Council of NSW (Taxi Council). These submissions commented extensively on PwC's proposed weightings, and the ATDA and Taxi Council submissions also set out alternative proposals for the values of the different cost items, and therefore their weightings. The submissions also criticised several aspects of PwC's report. For example, the ATDA pointed out that PwC's recommended cost model is not internally consistent.³

While IPART accepts that PwC's methodology may not be perfect, the survey nevertheless provides a recent and independent source of cost information for the NSW taxi industry and thus contains valuable information. For this reason, IPART has broadly based its decisions on PwC's recommended weightings. However, where submissions made convincing arguments, or better information became available, IPART has adjusted some of the weightings accordingly.

The sections below provide an overview of IPART's analysis and decisions on the weightings of the cost items, and then discuss the analysis and decision for each cost item in more detail. However, before considering this analysis, it's important to remember that in principle, the TCI is designed to measure changes in the cost of driving and operating a taxi: there is no explicit link between the level of costs implied by the TCI and the level of fares. The value of each cost item only influences IPART's annual recommendation on fare increases in that the relative size of this value gives rise to the weighting of the item within the TCI, and this weighting influences the overall level of change the index measures. Therefore, it is the relative size or value of each cost item, rather than the level of costs, that is important for determining TCI weightings.

³ See ATDA submission, March 2008, pp 12-13.

In their submissions, stakeholders tended to focus on the level of costs. Indeed, it is difficult to discuss relative costs without commenting on the level of each cost item. For this reason, most of the analysis discussed below focuses on the level of costs (ie, on the cost model that underlies the weightings). Nevertheless, it is important not to lose sight of the fact that it is the relative size of the costs that matters for determining TCI weightings.

(Note that IPART did consider the level of costs included in the TCI when it considered the current level of fares – this issue is discussed in detail in Chapter 7.)

3.3.1 Overview of analysis and decisions on weightings

Tables 3.2 and 3.3 compare the cost models that underlie the weightings in the current urban and country TCIs with the cost models used by PwC in formulating its recommended weightings, the alternative cost models proposed by the ATDA and the Taxi Council, and the cost models used by IPART.

Overall, the level of total costs in these models is broadly similar, but the allocation of the costs between operators and drivers varies considerably. IPART notes that the allocation of costs between drivers and operators has no effect on its fare recommendation. However, in the past, the Industrial Relations Commission has used the information about taxi industry costs that IPART publishes as part of its fare recommendation to set maximum ‘pay-ins’ that bailee drivers make to operators, and these play an important role in distributing fare revenue between drivers and operators. For this reason, IPART has attempted to clearly separate which costs are attributed to drivers and which to operators. In response to submissions IPART has made a number of changes to the allocation of costs between drivers and operators.

IPART has made final decisions to separately report the notional drivers’ wages and notional drivers’ entitlements and drivers’ superannuation cost items, and to amalgamate the maintenance labour and vehicle parts and panels item, as discussed in section 3.2. IPART has also split the notional drivers’ entitlements cost into two parts – entitlements provided for in the Contract Determination have been costed and allocated to operators, and the remainder has been included as a ‘notional self-funded’ entitlement in drivers’ costs.

Table 3.2 Cost model IPART used to determine weightings for the urban taxi cost index, compared with current and alternative cost models (\$ per taxi, per year)

	Current	PwC	ATDA	Taxi Council	IPART
Drivers' costs					
Notional drivers' wages	74,630	91,915	83,451	79,326	79,326
Notional self-funded drivers' entitlements	-	-	6,500	-	3,786
Drivers' superannuation	-	-	-	-	8,210
LPG fuel	18,385	13,780	20,362	15,440	13,712
Other drivers' costs	-	3,328	11,000	3,182	4,997
Total drivers' costs	93,015	109,023	114,813	97,948	110,031
Operators' costs					
Drivers' entitlements (Contract Determination)	4,452	8,113	-	8,926	8,113
Operators' salary equivalent	15,044	9,617	2,000	15,388	13,977
Maintenance labour	9,515	4,368	5,500	4,368	-
Vehicle parts & panels	12,100	5,018	8,000	6,018	-
Maintenance costs	-	-	-	-	9,886
Plate lease costs	18,328	25,000	18,200	24,626	25,000
Insurance	14,901	13,537	14,500	14,958	14,958
Vehicle lease payments	9,520	4,107	8,500	8,296	5,251
Network fees	6,972	6,564	7,000	5,772	6,564
Other operators' costs	16,785	6,981	6,050	7,127	6,235
Operator margin	-	-	8,368	-	-
Total operators' costs	107,617	83,305	84,618	95,478	89,984
Total costs	200,632	192,328	199,431	193,426	200,015

Note: IPART amalgamated maintenance labour and vehicle parts & panels into a single maintenance cost item.

Source: IPART, 2007 fare review; PwC, *Review of Weightings in Taxi Cost Model*, January 2008; Submission from ATDA, March 2008; Submission from the Taxi Council of New South Wales, March 2008.

Table 3.3 Cost model IPART used to determine weightings for the country taxi cost index, compared with current and alternative cost models (\$ per taxi, per year)

	Current	PwC	ATDA	Taxi Council	IPART
Drivers' costs					
Notional drivers' wages	58,803	93,329	-	80,546	80,546
Notional self-funded drivers' entitlements					12,082
Drivers' superannuation	-	-	-	-	8,337
Other drivers' costs	-	1,633	-	-	3,163
Total drivers' costs	58,803	94,962	-	80,546	104,128
Operators' costs					
Drivers' entitlements	-	8,113			-
Operators' salary equivalent	15,044	10,579	-	14,415	14,192
LPG fuel	15,658	11,505	-	14,893	12,273
Maintenance labour	8,129	4,309	-	7,828	-
Vehicle parts & panels	6,292	3,220	-	6,071	-
Maintenance costs	-	-	-	-	8,029
Plate lease costs	9,542	19,700	-	19,700	19,700
Insurance	8,952	7,809	-	8,521	8,521
Vehicle lease payments	8,987	4,107	-	8,965	5,251
Network fees	11,365	9,250	-	11,427	9,250
Other operators' costs	13,264	9,319	-	3,545	7,975
Total operators' costs	97,233	87,912	-	95,365	85,192
Total costs	156,036	182,874	-	175,911	189,319

Note: IPART amalgamated maintenance labour and vehicle parts & panels into a single maintenance cost item.

Source: IPART, 2007 fare review; PwC, *Review of Weightings in Taxi Cost Model*, January 2008; Submission from the Taxi Council of New South Wales, March 2008.

The difference between the cost model IPART used to make its final decisions on the weightings and the model PwC used stem largely from the fact that IPART:

- ▼ Calculated the level of the notional drivers' labour costs item for both urban and country taxis by:
 - Using the annual and sick leave pay rate specified in the Taxi Industry (Contract Drivers) Contract Determination to determine the notional drivers' wages component (whereas PwC used the part-time bus drivers' wage specified in the Transport Industry - Motor Bus Drivers and Conductors (State) Award).
 - Determining the notional drivers' entitlements component by applying a 15 per cent casual loading to this notional drivers' wages component, whereas PwC calculated drivers' entitlements based on the obligations on operators to provide annual and sick leave set out in the Contract Determination.

- Then determining the superannuation component by applying a further 9 per cent loading.
- ▼ Calculated the LPG fuel cost item by applying the average LPG fuel price over the year to March 2007, whereas PwC used a point estimate of this price at the time of the survey. IPART considers that its approach is more appropriate, but notes it makes little difference to the relative size of the LPG fuel cost item.
- ▼ Increased PwC's estimate of other drivers' costs to allow two hours per taxi per week for administration (one hour for each permanent driver).
- ▼ Increased PwC's estimate of other operators' costs to allow 10 hours for administration per taxi per week. This decision reflects IPART's acceptance of stakeholder views that PwC's survey methodology may have been flawed in regards to estimating the time operators spent on administration per week, and is consistent with the 1999 survey findings in relation to this time. This decision is offset to some extent by a decision to reduce cleaning costs to remove double counting.
- ▼ Added a 9 per cent superannuation loading to the operators' salary equivalent, in line with IPART's treatment of these entitlements for drivers.
- ▼ Increased PwC's estimate of the annual cost of panels included in the vehicle parts and panels/maintenance cost item from \$500 to \$1,000, based on a standard insurance excess.
- ▼ Added an additional \$2,700 to the purchase cost of the vehicle, to provide for the cost of LPG conversion.

3.3.2 Analysis and final decision on weightings in detail

Notional drivers' wages

The appropriate basis for estimating the level of notional drivers' labour costs was the subject of considerable stakeholder debate. To estimate the notional drivers' wages included in its cost model, IPART considered the assumptions that underlie the alternative estimates of these costs – including assumptions about how many hours each taxi is on the road per year and the drivers' proxy hourly wage rate.

Hours each taxi is on the road

The costs in the taxi cost model are expressed in annual terms, so estimating the level of the notional drivers' labour cost item requires assumptions about how many hours each taxi is on the road over a year. Based on the survey results, PwC estimated that:

- ▼ in urban areas, each taxi is operated for 10 shifts per week for 52 weeks of the year
- ▼ in country areas, that each taxi is operated for 11 shifts per week, for 48 weeks per year.

Given that the survey suggested that a shift typically lasts for 9 hours, this implies that each urban taxi is operated for a total of 4,680 hours per year, and each country taxi is operated for a total of 4,572 hours per year.

The Taxi Council accepted these estimates, but the ATDA argued that in order for an operator to cover its own costs through pay-ins from drivers, a standard taxi in urban areas must be operated for 13 shifts per week for 50 weeks per year. The ATDA also suggests that each taxi spends 6,650 hours on the road annually, which implies the average shift lasts for around 10 hours.

IPART's draft decision was to accept PwC's recommendation because it considered that there was no persuasive evidence to suggest it was unreasonable. In response to the draft report, the Australian Taxi Drivers' Association (ATDA) continues to argue that the average shift lasts for around 10 hours, but has provided no new evidence.⁴

IPART accepts PwC's estimates of the time each taxi is on the road, given that they are based on the survey findings and there continues to be no persuasive evidence to suggest that they are unreasonable.

Drivers' proxy hourly wage rate

PwC used the hourly wage rate for a part-time bus driver of \$19.64, as specified in the *Transport Industry – Motor Bus Drivers and Conductors (State) Award* as a proxy wage rate for taxi drivers. PwC chose this proxy wage rate on the basis that the skills required to drive a bus – driving and fare collection – are broadly similar to the skills required to drive a taxi.

The ATDA argued that this proxy wage rate is inappropriate because taxi drivers' work conditions are not comparable with those of bus drivers. For example, taxi drivers are required to work more unsociable hours, longer hours of continuous work, and in less safe conditions.

The Taxi Council argued that the wage rate specified in the Contract Determination for leave entitlements (\$16.95 per hour at the time of the PwC survey) would be a more appropriate proxy wage rate, since that is the value the Industrial Relations Commission places on a taxi driver's time.

IPART agrees with the Taxi Council that the \$16.95 hourly wage rate specified in the Contract Determination is the most appropriate proxy wage rate for taxi drivers, because it is specific to NSW taxi drivers. It notes that the specific working conditions of taxi drivers the ATDA raised are at least partly compensated for in the 20 per cent night time surcharge on taxi fares – which gives drivers extra income from fares between 10pm and 6am each day.

⁴ ATDA submission, May 2008, p.3.

In response to the draft decision, taxi drivers continue to argue for a \$21 per hour benchmark to be adopted.⁵ IPART does not have a role in setting remuneration for drivers and in IPART's view, the Industrial Relations Commission is best placed to determine this. As a result, where there is an industry specific rate determined by the Industrial Relations Commission, IPART considers that it should be adopted for use in the TCI.

Table 3.4 IPART decision on notional drivers' wages – per taxi, per year

	Urban	Country
Number of hours taxi is on road	4,680	4,752
Proxy hourly wage rate	\$16.95	\$16.95
Total value of notional wages in the TCI	\$79,326	\$80,546

Drivers' entitlements

Not all taxi drivers have access to legally determined entitlements. For permanent bailee taxi drivers in urban areas, a Contract Determination made by the Industrial Relations Commission sets out obligations on operators to provide the following entitlements:

- ▼ five weeks annual leave
- ▼ five to eight days sick leave (depending on length of bailment)
- ▼ long service leave in accordance with the *Long Service Leave Act 1955*.

These entitlements are subject to certain conditions about length of bailment and minimum shifts driven. Payment for annual and long service leave entitlements is based on a weekly rate of \$675.66. Sick leave is based on a daily rate of \$135.61. These payments appear to be based on an hourly rate of \$16.95 (used elsewhere in the Contract Determination) for a 40 hour week/8 hour day.

For taxi drivers in urban areas that do not meet the requirements in the Contract Determination (such as casual drivers) there are no legal entitlements to paid leave. Taxi drivers in country areas are not covered by any Contract Determination and also do not have any legal entitlements to paid leave.

PwC included a value based on the entitlements in the Contract Determination, in the operators' cost item, for both the urban and country taxi indices arguing that country drivers should be in a position to make their own provision for annual leave and sick leave. The NSW Taxi Council argued that no provision should be made for entitlements outside of those specified in the Contract Determination. The ATDA and NSW TDA both claimed that only a small proportion of drivers (in the order of 2 per cent) are paid entitlements.

⁵ See for example, Trevor Bradley submission, May 2008.

In the draft report, IPART noted that there is disagreement regarding which drivers actually receive entitlements. In order to move away from an approach in which fares are set to cover entitlements for some but not all drivers and to recognise the opportunity cost of drivers' time, IPART applied a loading of 15 per cent of the hourly wage for all drivers and consolidated all driver labour costs into a single cost item. In response to the draft report the NSW Taxi Council raised concerns about the compatibility of that approach with the IRC pay-in determination. The Taxi Council is concerned that departing from the existing approach of including entitlements on the basis of the minimum legal requirements will make the IRC process more difficult.

The approach used to estimate the value of entitlements depends on what is the basis for including entitlements in the TCI. Specifically, whether IPART considers that entitlements should reflect:

- ▼ the opportunity cost of labour – the argument used for other driver labour costs of notional wages and superannuation, or
- ▼ the cost incurred by operators in meeting their legal obligation to provide the entitlements set out in the Contract Determination for urban bailee drivers.

IPART considers that the relationship of trade-offs between the various wage and non-wage labour costs makes it difficult to justify taking a different approach to determining entitlements than taken for other labour cost items. As there is no scope to identify the actual average hourly wage of a taxi driver, the most appropriate means of doing this is to estimate a notional wage that captures the opportunity cost of the drivers' time. (This approach is also taken for operator labour costs.)

IPART remains of the view that the true opportunity cost of a taxi driver's time includes not only the wages foregone in alternative employment but entitlements foregone as well. Under the Contract Determination, only drivers that meet certain requirements are eligible to receive entitlements. As the opportunity cost approach needs to be calculated for every hour that the taxi is driven, not just hours that the taxi is driven by eligible drivers, the value of entitlements under the opportunity cost approach is higher than the value that is obtained by costing the entitlements in the Contract Determination.

IPART has decided to retain its draft decision approach of including entitlements in the TCI for all drivers by applying a casual loading of 15 per cent to the \$16.95 proxy hourly wage rate discussed above. This method has a number of advantages. In particular, it:

- ▼ is straightforward, transparent and simple to understand
- ▼ applies a uniform approach to all drivers (consistent with the concept of opportunity cost)
- ▼ does not require IPART to make additional assumptions regarding the number of drivers, their length of bailment, or their status as permanent or casual

- ▼ ensures that fares are sufficient to allow drivers to make provision for their own entitlements where there are no minimum legal entitlements specified.

IPART considers that 15 per cent is an appropriate percentage for this purpose. The loading applied to compensate casual employees for entitlements varies across industries but is generally between 15 and 33.3 per cent above the normal full-time hourly rate.⁶ A 15 per cent casual loading applies to many Awards in the transport sector, including the *Transport Industry (State) Award* and the *Transport Industry – Motor Bus Drivers and Conductors (State) Award*. This approach is consistent with the approach used in the draft decision.

Allocation of entitlements

The Taxi Council argues that IPART is required to use the Taxi Council's method of estimating entitlements because of the need to maintain consistency with the IRC approach. However, IPART considers that the value of costs in the TCI should reflect its own view of the cost of providing taxi services and should not be based on the IRC process, which exists for a very different purpose. For the reasons discussed above, IPART continues to support the use of the opportunity cost approach in the TCI.

Nevertheless, the IRC process is important and IPART considers that it does have a role in ensuring that sufficient information is disclosed in its report to allow the IRC process to occur without undue cost. IPART considers that the best means of addressing the Taxi Council's concerns is through the allocation of entitlements between drivers and operators. This will not affect the overall level of costs in the TCI or IPART's fare recommendations.

In order to ensure that the allocation is consistent with the IRC process, IPART has costed the entitlements in the Contract Determination, that operators are legally obliged to pay to drivers, and included this amount as an operator cost. The balance of the entitlements is treated as notional self-funded entitlements and allocated to drivers.

Table 3.5 IPART decision on drivers' entitlements– per taxi, per year

	Urban	Country
Total value of notional wages in the TCI	\$79,326	\$80,546
Entitlements as a percentage of wages	15%	15%
Total value of entitlements in the TCI	11,899	12,082
Value of entitlements in the Contract Determination (allocated to operators)	8,113	-
Value of notional 'self-funded' entitlements (allocated to drivers)	3,786	12,082

Note: Value of entitlements in the contract determination assumes 2 permanent bailee drivers per taxi entitled to 8 days sick leave per year, 5 weeks of annual leave per year.

⁶ NSW Industrial Relations Commission, April 2008.
<<http://www.industrialrelations.nsw.gov.au/rights/employer/relation/awards.html#basic>>

Drivers' superannuation

In the 2007 fare review, IPART did not consider it appropriate to add drivers' superannuation on top of the wage rate included in the taxi cost model. This was partly because it took a minimal change approach to the review, in light of expected changes to the TCI in 2008. IPART also argued that while superannuation was not explicitly included in the index, it had not been excluded altogether, since superannuation guarantee requirements in other industries were effectively funded through lower wages growth. However, the more comprehensive review of industry costs has allowed this issue to be considered in conjunction with the wage rate selected.

The notional drivers' labour costs item is intended to capture the opportunity cost of the drivers' time. PwC used the award wage rate of a part-time bus driver as the proxy wage rate to measure the opportunity cost of a driver's time. However, since bus drivers are salaried employees, they also receive superannuation entitlements on top of this rate. Therefore, the true opportunity cost of a taxi driver's time includes, not only the wages foregone in alternative employment, but superannuation entitlements foregone as well. While IPART has not used that award wage rate as the notional drivers' wage rate, the principle with respect to superannuation is the same. Driving a taxi is a legitimate career choice. It is reasonable for those that choose that career to earn sufficient income to make their own provision for superannuation. For this reason, IPART has added 9 per cent superannuation to the proxy hourly wage rate and entitlements discussed above. This is consistent with the approach taken by IPART in the draft decision.

The IRC has previously indicated that superannuation may be included as an obligation on operators in the contract determination once IPART has made provision for its inclusion in the fare setting process. IPART considers that the inclusion of superannuation does not require any one-off adjustment to fares.

While the cost of superannuation has been notionally allocated to drivers, the value of any obligations imposed on operators in the Contract Determination could be allocated to operators, in the same way as entitlements above.

Table 3.6 IPART decision on drivers' superannuation – per taxi, per year

	Urban	Country
Total value of notional wages and entitlements in the TCI	\$91,225	\$92,628
Superannuation as a percentage of wages and entitlements	9%	9%
Total value of superannuation in the TCI	\$8,210	\$8,337

LPG fuel

The level of the LPG fuel cost item in the cost model depends on assumptions made about the distance each taxi travels per year, the fuel consumption of the vehicle, and the price of fuel.

Distance travelled per year and fuel consumption

Based on the survey results, PwC estimated that a standard taxi travels 130,000 kilometres annually (2,500 kilometres per week) in urban areas and 117,000 kilometres per year (2,250 kilometres per week) in country areas. The survey also suggested that fuel consumption is around 5 kilometres per litre in urban areas and 6 kilometres per litre in country areas. This implies total fuel consumption of 26,000 litres per year in urban areas and 19,500 litres per year in country areas.

Information provided by the ATDA broadly supported the survey findings on distance travelled for urban areas. However, this information also suggests that a standard taxi uses 29,000 litres of fuel, implying fuel consumption of only around 4.5 kilometres per litre.

The Taxi Council estimated that an average urban taxi travels 162,000 kilometres per year – which is significantly further than PwC’s survey indicated. This estimate was based on a survey of odometer readings taken from inspection reports for a sample of 29 taxis. The Taxi Council could not explain why there was such a discrepancy between the findings of PwC’s survey and this smaller survey. Therefore, it proposed using an estimate of 145,000 km per year for urban taxis, which is around the mid-point of the two findings. For country areas, the Taxi Council estimated that a standard taxi travels 125,000 kilometres per year.

In the draft report, IPART accepted PwC’s estimates of the distance a typical taxi travels per year and fuel consumption. These estimates were based on the findings of a recent survey that had a larger sample size than surveys undertaken by the industry participants.

The ATDA’s submission continues to argue that fuel consumption in urban areas is 4.5 kilometres per litre.⁷ However, the ATDA was unable to provide verifiable evidence as to why the PwC survey, upon which the Tribunal’s draft decision was based, was not correct. IPART remains of the view that no compelling case has been made to suggest that the results of PwC’s survey were inaccurate.

Price of fuel

PwC used a price of 53 cents per litre in estimating the LPG fuel cost. This price was based on the median price reported in the survey. The ATDA’s estimate of this cost appears to have assumed a much higher price – around 70 cents per litre – which is in line with more recent prices for LPG. Prior to the draft report, the Taxi Council provided an estimate based on a price of 53.45 cents per litre, based on the average price of LPG as reported on the Gogas website for 35 locations for the period April 2007 to January 2008.

⁷ ATDA, Supplementary Comment on IPART 2008 Draft Report, May 2008, p 3.

In past fare reviews, IPART has inflated fuel prices based on a comparison of the annual average of daily LPG prices. This is done in order to obtain a more representative picture of this volatile cost item by ensuring that the cost estimate is not biased by the fuel price on any particular day. IPART considers that it is appropriate to also base the weighting of the LPG fuel cost item on the average annual price. In response to the draft report, the Taxi Council supported this approach.

Using the average price over the year from April 2006 to March 2007 results in a price of 52.74 cents per litre in urban areas and 62.94 cents per litre for country areas. These prices do not reflect the significant increases in fuel prices seen in recent months. Rather, the prices IPART has used in its making its final decision on the weighting of the LPG fuel cost item is based on 2007 costs. It is appropriate that this weighting does not reflect the higher LPG prices in early 2008, as those increases are captured when the fuel cost item is inflated to reflect the change in the cost of this item over the past year. This process will ensure that these costs are picked up in the fare recommendations and will also increase the weighting of the LPG fuel cost item in the 2008 TCI. If the higher 2008 LPG price was included in the base weightings as well as the inflator, the impact of these price increases would be double counted.

In response to the draft report, the ATDA criticised this approach and again argued that a fuel price of 70 cents per litre should be used as a base. However, for the reasons noted above, IPART continues to use the average price over the period April 2006 to March 2007. The increases in price submitted by the ATDA are captured when the fuel cost item is inflated to reflect the change in the cost of this item over the past year. This process will also increase the weighting of the LPG fuel cost item in the 2008 TCI.

Allocation of LPG costs to drivers and operators

In its draft report, IPART allocated all of the LPG costs to drivers in both urban and country areas. The NSW Taxi Council subsequently pointed out that in country areas, operators typically pay for fuel and as such, LPG costs should therefore be included as an operator cost in the country TCI.⁸ Since country drivers are not covered by the Contract Determination, this change does not make any difference to IPART's fare recommendation but IPART agrees that the change should be made for completeness.

⁸ NSWTC, Response to Draft report and Draft recommendations: 2008 review of Taxi Fares in NSW, 16 May 2008, p 3.

Table 3.7 summarises the assumptions underlying IPART's and the alternative estimates of LPG fuel costs.

Table 3.7 Assumptions underlying estimates of LPG fuel costs

	PwC	ATDA	Taxi Council	IPART
Urban				
Distance travelled	130,000	131,000	145,000	130,000
Kilometres per litre	5.00	4.52	5.00	5.00
Litres per year	26,000	29,000	29,000	26,000
Price per litre (\$)	53.00	70.21	53.24	52.74
LPG fuel costs	13,780	20,362	15,440	13,712
Country				
Distance travelled	117,000	-	125,000	117,000
Kilometres per litre	6.00	-	5.00	6.00
Litres per year	19,500	-	25,000	19,500
Price per litre (\$)	59.00	-	59.57	62.94
LPG fuel costs	11,505	-	14,893	12,273

Note: See the above discussion for an explanation of the differences in the assumptions used to estimate LPG fuel costs.

Source: PwC, *Review of Weightings in Taxi Cost Model*, January 2008; submission from the Taxi Council of New South Wales, March 2008; submission from the Australian Taxi Drivers' Association, March 2008.

Other drivers' costs

Of the 'other costs' estimated by PwC, \$3,328 were drivers' costs for urban taxis and \$1,633 were drivers' costs for country taxis (Table 3.8). These items were not explicitly shown in the PwC report, which led the ATDA to claim some costs incurred by drivers, such as the daily taxi cleaning costs had been omitted. A breakdown of PwC's recommended costs are set out in Table 3.8.

Table 3.8 Other drivers' costs included in PwC's recommendations (\$)

	Urban	Country
Driver's licence	43	43
Driver authority	40	40
Driver cleaning of taxi and uniform	2,080	1,040
Mobile phone costs	624	-
Other ^a	541	510
Total	3,328	1,633

^a Includes costs associated with driver administration, preparing Business Activity Statements and bank fees.

Source: Survey information provided by PwC.

In response to the Issues Paper, the ATDA argued that PwC's estimate of other drivers' costs was inadequate. In particular it argued that:

- ▼ Drivers' taxi cleaning costs are \$3,500 per annum, which is significantly higher than the cost included in PwC's cost model.
- ▼ Drivers' costs related to administering their shifts are \$7,500 per annum. It pointed out that taxi drivers operate as small businesses and therefore must spend some time administering that business. PwC's estimate of less than \$600 for administering the business over the course of the year significantly underestimates the actual costs involved. The ATDA argued that these costs should be estimated based on 7 hours per week, and notional drivers' wage rate of \$19.49 per hour (an indicator of the opportunity cost of the drivers' time).

In its draft report IPART accepted that there are some costs for drivers associated with administering their business, and has allowed for two hours per week per taxi for this. Assuming there are two permanent drivers for each taxi, this amounts to around one hour per week each. In other respects, the draft report included costs in line with PwC's recommendations as it considers that insufficient information had been provided to demonstrate that the survey results are not representative of the level of those costs.

IPART's draft report also accepted PwC's estimate of \$2,080 for cleaning of taxi and uniforms. In response, the ATDA submission argued that this amount is too low, as the cost of a nightly wash alone is in excess of \$3,000 per taxi.⁹

The median response of operators in the PwC survey suggests that the cost of wash and vacuum is \$10 in urban areas and \$8 in country areas. Assuming that a wash and vacuum is undertaken every second shift, this implies an annual cost of \$2,600 in urban areas and \$2,112 in country areas. However, the drivers' survey suggested that not all drivers incur this cost. The survey showed that 58.5 per cent of urban drivers and 25.4 per cent of country drivers are responsible for the regular clean and vacuum. IPART considers that these costs should be allocated between drivers and operators on this basis. As a result, IPART continues to support PwC's recommendation for drivers' cleaning costs and has not changed its view since the draft report.

⁹ ATDA submission, May 2008.

Table 3.9 summarises the costs included in IPART's final decision, which are the same as those used in the draft report.

Table 3.9 Summary of IPART's decision on other drivers' costs (\$)

	Urban	Country
Driver's licence	43	43
Driver authority	40	40
Driver cleaning of taxi and uniform	2,080	1,040
Mobile phone costs	624	-
Other ^a	2,210	2,040
Total	4,997	3,163

^a Includes costs associated with driver administration, preparing Business Activity Statements and bank fees.

Source: Survey information provided by PwC.

Operators' salary equivalent

Like notional drivers' labour costs, the operators' salary equivalent is not directly observable. It is included in the TCI to ensure that fares continue to be sufficient to cover the costs associated with operating the taxi fleet. The value of this cost depends on the time operators spend administering each taxi and the opportunity cost of their time.

Time spent on administration per taxi

For the urban TCI, PwC estimated that operators spend 7.5 hours per week on administration based on the mean (average) survey response. PwC used the mean response, rather than the median response that it used for most other cost items in order to 'capture the large variation in hours that arises due to differences in the number of vehicles in an operator's fleet'.

The TCI is designed to measure the cost of operating a single taxi. Using the mean total time spent on fleet administration would include the time spent by some operators that operate multiple taxis, which could be expected to result in a higher estimate than a per taxi figure. IPART notes that median survey response from all respondents was less than 5 hours, while its own analysis suggests that the weighted average time spent on administration per taxi is 4.3 hours per week in urban areas.

The ATDA argued that the Parry Inquiry established an average of 2.2 taxis per urban operator, which impacts on the operator costs per taxi¹⁰ but did not indicate whether it expected this should increase or decrease the cost allowance. The Taxi Council argued that the survey results are likely to significantly understate the time operators spend on the administration of their business. Its reasons include that:

- ▼ Many single taxi operators also drive their own vehicle and therefore must attend the changeover as both a driver and operator. In its view, many of these drivers are likely to report this as driving time rather than administration time. To support this claim, the Taxi Council pointed out that the survey also suggests that operators spend on average 61 minutes per day attending changeover, which accounts for nearly all the administration time reported in the survey.
- ▼ The infrequent nature of some tasks means that they are unlikely to be reported accurately in the survey.

The Taxi Council conducted its own survey of 14 single-taxi operators. According to that survey, operators spent an average of 18.6 hours on administration per week. The median response was 16.5 hours. For the purpose of weighting the TCI, the Taxi Council proposed using 12 hours, which is the midpoint of the median responses of the two surveys.

For the country TCI, PwC scaled up the number of hours operators spend on administration, based on the extra shift driven by country taxis per week. However, PwC did not account for the fewer number of weeks it assumed country taxis operate per year. The Taxi Council's estimate for country operators implies 12.2 hours per week.

IPART considers that the Taxi Council's criticisms of the PwC survey are reasonable. However, given that its survey was of single taxi operators that mostly also drive, some of the time they reported for administration may be associated with their role as a driver, rather than an operator (see 'other driver costs' section). For example, if the operator/driver only attends the shift changeover because they are either starting or finishing their driving shift, this should not be included as an operator expense. The TCI used for the 2007 review allowed for 10 hours per week on administration. In IPART's view, there is no reason why this should have increased, as suggested by the Taxi Council's survey. On the contrary, it is more likely that operators have improved their productivity over that period of time.

Given the above, IPART considers it reasonable to assume that each operator in urban areas spends 10 hours per week on administration, while each operator in country areas spends 11 per hours. IPART's assumption in relation to country operators' follows PwC's approach of scaling up the hours for urban operators to reflect the greater number of shifts per week in country areas, but also makes an adjustment for the fewer number of weeks operated per year. This approach is consistent with the approach taken by IPART in the draft report.

¹⁰ ATDA submission, May 2008, p 4.

Opportunity cost of operators' time

Both PwC and the Taxi Council applied a proxy hourly wage rate of \$24.66 to the estimated hours spent administering each taxi. This is based on the *Clerical and Administrative Employees Hire Cars and Taxis State Award*, Grade 5 Casual with casual holiday pay added on.

In the draft report, IPART used a proxy wage rate of \$22.76 per hour. This was based on the *Clerical and Administrative Employees Hire Cars and Taxis State Award*, Grade 5. IPART included a 20 per cent casual loading, as specified in the Award to estimate entitlements, but omitted the \$1.90 per hour holiday pay loading. IPART also added a 9 per cent superannuation loading, consistent with IPART's approach to these costs for drivers.

In response to the draft report, a number of drivers raised concerns that operators' labour was given a higher notional value than drivers' labour. IPART has argued that the most relevant hourly wage cost for drivers is the hourly rate used in the Contract Determination as it is the amount that has been determined by the IRC based on the work done by taxi drivers. On the same basis, IPART considers that the most relevant wage rate to use for operators' labour costs is the Award determined by the IRC that applies to the administrative jobs in the taxi industry. As such, IPART's final decision is again based on the *Clerical and Administrative Employees Hire Cars and Taxis State Award*, Grade 5.

The NSW Taxi Council argued that the holiday pay loading should be included as its purpose in the Award is to compensate operators for annual leave. It also argued that it is inconsistent to include casual leave loading for the proxy drivers wage yet to exclude the holiday pay that applies to casual rates used for taxi operators.¹¹ A loading of 15 per cent (based on Awards that require similar skills) was added to the base proxy wage rate for drivers.

According to the NSW Office of Industrial Relations, casual workers may also receive an extra amount equal to a further 1/12th of the casual hourly rate to cover pro rata annual holiday pay, which is the case in the Award used for operators. Given IPART's position that the most relevant wage rate is the rate specified in the relevant Awards, IPART has therefore, added the holiday pay loading to operators' salary equivalent.

¹¹ NSW Taxi Council submission, May 2008, p 7.

Table 3.10 summarises the assumptions underlying IPART's final decision and the alternative estimates of the level of the operators' salary equivalent cost item.

Table 3.10 Assumptions underlying operators' salary equivalent estimates

	PwC	ATDA	Taxi Council	IPART
Urban				
Operating assumptions:				
▼ Hours per week	7.5	-	12.0	10.0
▼ Weeks per year	52	-	52	52
▼ Total hours	390	-	624	520
Operator labour costs:				
▼ Proxy hourly wage	22.76	-	22.76	22.76
▼ Casual holiday pay	1.90	-	1.90	1.90
▼ Superannuation (%)	-	-	-	9.0
Operators' salary equivalent	9,617	2,000	15,388	13,977
Country				
Operating assumptions:				
▼ Hours per week	8.25	-	13.2	11
▼ Weeks per year	52	-	52	48
▼ Total hours	429	-	686	528
Operator labour costs:				
▼ Proxy wage	22.76	-	22.76	22.76
▼ Casual holiday pay	1.90	-	1.90	1.90
▼ Superannuation (%)	-	-	-	9.0
Operators' salary equivalent	10,579	-	16,927	14,192

Source: PwC *Review of Weightings in Taxi Cost Model*, January 2008; Taxi Council of New South Wales, submission March 2008 and Australian Taxi Drivers' Association submission, March 2008.

Maintenance costs

Maintenance costs include the cost of labour, vehicle parts and vehicle panels.

For urban areas, PwC estimated the cost of maintenance labour as \$4,368 per taxi per year. This estimate assumes 7 hours of maintenance per month at \$52 per hour, based on the survey findings. The Taxi Council accepted this estimate and assumptions. The ATDA estimated that the cost of maintenance labour was higher – \$5,500 per taxi per year – but did not adequately justify this higher estimate. In its draft report, IPART accepted PwC's estimate for these reasons.

For country areas, PwC scaled down the cost of maintenance labour to reflect the lower number of kilometres travelled by country taxis, but assumed a higher hourly cost of \$57, based on the results of the survey. The Taxi Council's estimate was somewhat higher at \$7,828. Using the hourly rate of \$57 from the PwC survey, this implies 11.4 hours of maintenance labour per month. In the draft report, IPART

accepted PwC's estimate on the grounds that it is an independent estimate and is based on the survey results.

To estimate the cost of vehicle parts, PwC assumed that each taxi requires a major service every 20,000 kilometres and a minor service every 10,000 kilometres. Based on the survey results, it assumed parts cost \$575 for every major service and \$60 for every minor service. This implied that parts cost \$4,518 every year in urban areas and \$2,720 every year in country areas. The Taxi Council accepted PwC's estimate for urban areas, but proposed a higher estimate for country areas. PwC's lower estimate for country areas is due to the lower number of kilometres travelled by country taxis per year. In the draft report, IPART accepted PwC's lower estimate on the basis that the Taxi Council had not justified its higher estimate for country areas.

For vehicle panels, PwC estimated the cost at \$500 per year, based on half the standard excess suggested by the survey. The Taxi Council argued that the cost of panels in both urban and country areas is higher than PwC's estimate. This allows for damage to the vehicle only once every two years. The Taxi Council added an extra \$1,000 to this estimate, arguing that taxis regularly get damaged by passengers, which operators are required to fix. In the draft report, IPART agreed with this argument and considered it reasonable to at least include the full \$1,000 excess in the estimate for the annual cost of panels.

In response to the findings in the draft report, the Taxi Council indicated concern that the maintenance costs are understated and noted that it would like to see more in-depth analysis of actual repair and servicing costs.¹² IPART considers that the PwC survey does provide adequate information regarding maintenance costs. In support of this, IPART notes that the TCI model submitted by the Taxi Council prior to the draft report was largely based on PwC's findings. In addition, while another submission implied that \$52 per hour understates the rates charged by mechanics,¹³ no supporting information was provided.

IPART's final decision is that no persuasive evidence has been provided since the draft report to suggest that the draft report position should be modified. As a result, IPART affirms the maintenance costs included in its draft report. IPART's final decision on these costs is summarised in Table 3.11.

¹² NSW Taxi Council submission, May 2008, p 7.

¹³ Fletcher, P., IPART Taxi Fare submission Final 2008, 15 May 2008.

Table 3.11 Summary of IPART's decision on maintenance costs (per taxi, per year)

	Urban	Country
Annual maintenance cost		
Hours of maintenance per month	7	6.3
Maintenance cost per hour	\$52	\$57
Total costs	\$4,368	\$4,309
Parts cost for major services		
Kilometres per major service	20,000	20,000
Number of major services per year	6.5	5.85
Cost of parts per major service	\$575	\$345
Total costs	\$3,738	\$2,018
Parts cost for minor services		
Kilometres per minor service	10,000	10,000
Number of minor services per year	13	11.7
Cost of parts per minor service	\$60	\$60
Total costs	\$780	\$702
Panels cost		
Total costs	\$1,000	\$1,000
Total maintenance costs	\$9,886	\$8,029

Licence plate lease costs

For urban areas, PwC estimated that licence plate lease costs are around \$25,000 based on its survey findings. This estimate is similar to the one the Taxi Council proposed, but higher than the one ATDA proposed (\$18,200). Because the ATDA did not convincingly substantiate its proposed estimate in its submission, IPART accepts PwC's estimate.

For country taxis, both PwC and the Taxi Council estimated that licence plate lease costs are \$19,700.¹⁴ This is based on a 3 percentage point premium on the average bond rate. IPART accepts PwC's estimate. This decision is unchanged from IPART's draft report.

Insurance

PwC estimated insurance costs as \$13,537 per taxi per year based on the following:

- ▼ comprehensive car insurance policy, at a cost of \$5,000, based on the median survey response (including a 60 per cent no claim bonus)
- ▼ third party property insurance at a cost of \$2,638, (weighted by 99 per cent of respondents who obtain that type of insurance) based on the median survey response

¹⁴ PricewaterhouseCoopers, *Review of Weightings in Taxi Cost Model*, January 2008, p 16.

- ▼ CTP greenslip at a cost of \$3,697, based on a quote from QBE Insurance
- ▼ workers' compensation insurance, at a cost of \$2,228, based on the median survey response.

According to the Taxi Council, comprehensive insurance policies include third party property damage and therefore PwC has double-counted. However, the Taxi Council also argued that PwC appears to have obtained quotes based on an 80 per cent no claim bonus and the redbook value of the vehicle, which results in an understatement of the cost of insurance.

IPART accepts that there may be some problems with PwC's estimates, and therefore accepts the Taxi Council's insurance cost estimate. However, it notes that the difference between PwC's and the Taxi Council's overall insurance cost estimate is not significant. In addition, IPART will use independent data to inflate this cost item (see Chapter 4). This decision is unchanged from the draft report.

Vehicle lease payments

PwC's estimate of vehicle lease payments¹⁵ is significantly lower than the estimates provided by the Taxi Council and the ATDA. PwC's estimate is \$4,107 per taxi per year, assuming:

- ▼ an estimated cost of \$12,000 for a second-hand vehicle plus a fit-out cost of \$2,500 in both rural and urban areas
- ▼ the purchase of the vehicle was funded by a bank loan with a four year term, at an interest rate of 8.5 per cent and a residual value of 10 per cent.

The Taxi Council argued that PwC's estimate is based on some erroneous assumptions. In particular:

- ▼ PwC ignored the 31 per cent of operators who purchased new vehicles
- ▼ PwC based its purchase cost on a Ford Falcon, but an increasing proportion of the fleet are long-wheelbase vehicles, such as Holden Statesman, Ford Fairlane and Toyota Tarago
- ▼ average resale prices will not accurately reflect typical prices paid for vehicles purchased because white cars (used for taxis) typically cost around 25 per cent more than cars of other colours
- ▼ purchasing a new vehicle will not result in significant savings in the cost of maintenance
- ▼ it is not clear whether the redbook valuation includes the cost of conversion to LPG.

¹⁵ Operators can either lease a vehicle or purchase it outright. Since lease payments should reflect the value of the vehicle, both should involve broadly similar costs. PwC's estimate of vehicle lease payments is based on a loan repayment.

The Taxi Council's own estimate for this cost is \$8,296 in urban areas and \$7,480 in country areas, assuming a vehicle purchase cost of \$25,000 for urban areas and \$22,000 for country areas.

After considering the views put forward by the Taxi Council, IPART's draft decision was to accept PwC's recommendations for vehicle lease payments. IPART considered that the Taxi Council has not made a strong case as to why an operator would choose to buy a new vehicle when a cheaper option is available. Furthermore, more expensive long-wheelbase vehicles are not required for standard taxis and therefore, should not be included in the TCI, which estimates costs for a 'typical' taxi.

In its submission to the draft report, the Taxi Council argued that IPART had not commented on its assertions that the values proposed as the cost of second-hand vehicles does not accurately reflect the true cost of second-hand white LPG Falcons that are used as taxis.¹⁶ Another submission also argued that the value assigned to vehicle lease payments are a 'joke' and that the cost item should allow for a new vehicle.¹⁷

IPART contacted Pickles Motor Vehicles Auctions in order to further investigate the Taxi Council's claims that while LPG Falcons tend to cost more. According to Pickles, second-hand white LPG Falcons can sell at a 15 to 20 per cent premium as a result of the extra demand from taxi operators. Pickles advised that it is the combination of the brand, colour and LPG that attracts the premium due to higher demand for vehicles fitting this description.

It does not appear that the Redbook value used by PwC reflects the cost of an LPG vehicle, as opposed to a petrol vehicle. As a result, IPART considers that the costs included for the vehicle and fit out to date may not adequately reflect the cost of a typical taxi vehicle (which is a white LPG Falcon).

As white Falcons that use petrol do not command a price premium, IPART considers that it is unreasonable to include more than the cost of purchasing a white petrol falcon and converting it to LPG. IPART has therefore, decided to include the additional cost of converting a petrol car to LPG in addition to the vehicle cost recommended by PwC. The PwC survey reported a median conversion cost of \$2,700. As a result, IPART has added this cost to the cost of the vehicle used to calculate the annual lease payment. This has the effect of increasing the annual vehicle lease payment from the draft report value of \$4,107 to the final decision value of \$5,251.

¹⁶ NSWTC submission, May 2008, p 8.

¹⁷ P. Fletcher submission, May 2008.

Network fees

PwC's estimate of network fees is based on the median network fees reported in the survey, and were confirmed by quotes obtained by PwC and a phone survey conducted by the Ministry of Transport. The Taxi Council and the ATDA proposed alternative estimates for urban areas – one higher and one lower than PwC's estimate.

IPART accepts PwC's estimate of network costs. It considers that the Taxi Council and ATDA's submissions did not put forward a persuasive case for not using the survey results. It also notes that PwC's estimate of network costs for urban areas is roughly the mid-point of the estimates provided by the Taxi Council and the ATDA. IPART's final decision is consistent with its draft decision on this issue.

Other operators' costs

PwC estimated other operators' costs at \$6,981 for urban taxis and \$9,319 for country taxis (Table 3.12).

Table 3.12 PwC's recommendations on other operators' costs (\$ per taxi, per year)

	Urban	Country
Government charges	820	820
Cleaning –regular	1,825	2,920
Cleaning – major detailing	400	1,200
Tyres	1,261	1,404
Uniform	275	275
Other	2,400	2,700
Total	6,981	9,319

Note: 'Other' includes the costs of driver administration, preparing Business Activity Statements and bank fees.

Source: Survey information provided by PwC.

While there were some differences between PwC's estimates for these components for urban taxis and those provided by the Taxi Council, their overall estimates for other operators' costs were broadly similar. The difference for country taxis was somewhat larger.

IPART's draft decision was to accept PwC's overall estimates of other operators' costs. In its submission to the draft report, the ATDA argued that cleaning is a driver cost.¹⁸ The ATDA also noted that operators are legally required to supply drivers with uniforms. It argues that this costs around \$2,500 per year, rather than \$275 suggested by the PwC survey.

¹⁸ ATDA, Supplementary Comment on IPART 2008 Draft Report, May 2008, p 3.

IPART has decided to accept PwC's estimate of the cost of uniforms as it does not consider that sufficient evidence has been provided to suggest it should depart from this value. However, in relation to cleaning costs, the survey shows that not all operators are responsible for the regular wash and vacuum. The drivers' survey implied that 41.5 per cent of urban operators and 74.6 per cent of country operators are responsible for these costs, which based on survey evidence are estimated at around \$2,600 in urban areas and \$2,112 in country areas. Allocating these costs between drivers and operators based on these shares implies that operators' cleaning costs may have been overstated, due to some double-counting. IPART has adjusted these costs accordingly.

IPART's final decision on other operators' costs is summarised in Table 3.13.

Table 3.13 Summary of IPART's decision on other operators' costs (\$ per taxi, per year)

	Urban	Country
Government charges	820	820
Cleaning –regular	1,079	1,576
Cleaning – major detailing	400	1,200
Tyres	1,261	1,404
Uniform	275	275
Other	2,400	2,700
Total	6,235	7,975

Note: 'Other' includes the costs of driver administration, preparing Business Activity Statements and bank fees.

Source: Survey information provided by PwC.

4 Inflaters for the cost items in the taxi cost index

In 2007, IPART reviewed and revised many of the inflators used to calculate the annual change in the cost items in the TCI. Its aim was to use data that is independent, verifiable and transparent for inflating each cost item, rather than relying on data provided by stakeholders. This year, IPART has further reviewed the inflators for some cost items, to address some issues left outstanding in 2007 and in response to stakeholder comments. IPART has also reconsidered the way it applies the productivity adjustment.

4.1 IPART's final decisions

IPART has made a final decision to apply the productivity adjustment by adjusting the value of the inflator used to inflate all drivers and operators labour costs, rather than applying this adjustment after the change in the TCI was calculated (as it did in 2007). IPART considers that this approach has several benefits, including allowing for a clearer presentation of the change in the TCI, and allowing for a separate productivity adjustment for drivers and operators' labour costs if this is warranted. IPART has not changed its approach on this issue since the draft report.

IPART has also made final decisions to revise its approach to inflating maintenance costs, licence plate lease costs and for network fees in the TCI for country areas. With the exception of LPG costs, which have now been included to 31 May 2008, IPART has not changed its approach to any of the inflators since the draft report.

Generally inflators have been calculated to the end of March 2008, consistent with the timing used for the 2007 review and the decision made in the draft report. The one exception to this is the inflator for LPG costs, where data to 31 May 2008 has been included to ensure that recent price changes are adequately addressed. While data up to March 2008 (and 31 May for LPG costs) has been used in the final report, the resulting inflators are similar to those used in the draft report.

Table 4.1 summarises IPART's final decisions on the inflator for each cost item, and indicates the value of the inflator for the final report, and the inflator used for the 2007 review. The following sections discuss the inflator used for each cost item in more detail.

Table 4.1 Inflaters used to calculate the change in the TCI for the final report

Cost item	Inflator	Value of inflator (%)	Inflator used in 2007 review – if different
Notional drivers' labour costs:	Productivity adjusted	3.5	WPI
▼ Notional drivers' wages	WPI		
▼ Driver entitlements (including those set out in the contract determination and those assumed to be self-funded)			
▼ Drivers' superannuation			
LPG Fuel	Fueltrac LPG data	Urban – 14.3 Country – 9.1	-
Other drivers' costs	CPI	2.3	-
Operators' salary equivalent	Productivity adjusted	3.2	WPI
Maintenance costs	CPI – Motor vehicle repairs and servicing	2.7	Vehicle parts and panels – CPI – Motor vehicle parts and accessories Maintenance labour – WPI
Plate lease costs	Quotes for leasing taxi plates from taxi networks provided by the NSW Taxi Council	10.1	1 year bond rate applied to licence plate transfer values supplied by the Ministry of Transport
Insurance	CPI – Insurance services	1.8	-
Vehicle lease payments	CPI – Motor vehicles	-0.3	-
Network fees	Weighted average of urban network fees	4.0	Urban – No change Country – Weighted average of country network fees
Other operators' costs	CPI	2.3	-

Note: WPI is the Wage Price Index, CPI is the Consumer Price Index.

4.2 Notional drivers' labour costs

Notional drivers' labour costs are composed of the following cost items:

- ▼ notional drivers' wages
- ▼ drivers' entitlements (further divided into entitlements specified in the contract determination and notional self-funded entitlements – See Chapter 3)
- ▼ driver provision for superannuation.

IPART's final decision is to inflate these cost items by the Wage Price Index (WPI), and to adjust the value of this inflator to account for productivity gains before calculating the change in the TCI. This results in a value for this inflator of 3.5 per cent, based on a WPI of 3.8 per cent and a productivity adjustment of 0.3 per cent. This inflator has been updated since the draft report to account for the release of March quarter WPI data.

The following sections explain why IPART has decided to use the WPI as the inflator, why and how it has adjusted the value of this inflator to account for productivity gains, and how it determined the size of the productivity adjustment.

4.2.1 Why IPART decided to use the WPI as the inflator

IPART used the WPI to inflate the notional drivers' wages and drivers' entitlements cost items in 2007. However, in the issues paper for the 2008 review, IPART indicated that it may be more appropriate to inflate the drivers' entitlements item using the Non-Wage Price Index for annual and holiday leave (NWPI).

After considering this option, IPART considers that the WPI is more appropriate. The NWPI is calculated as an annual figure on a financial year basis. Therefore, the most recent data available to adjust the TCI would be for the previous financial year. For this review, this would be the 2006/07 financial year. In contrast, the most recent data on the WPI is for the 12 months to the end of March 2008, which is much more recent. IPART also notes that the NWPI for annual and holiday leave and superannuation have tended to move in line with WPI (Table 4.2).

Table 4.2 Recent changes in the WPI and the NWPI for annual and public holiday leave and superannuation

	2004/05 %	2005/06 %	2006/07 %
WPI	3.6	4.1	3.8
NWPI – annual and holiday leave	3.7	4.1	3.8
NWPI – superannuation	3.6	4.2	3.9

Note: the figures above are based on the relevant all Financial Year Index, New South Wales, All industries, Private and Public.

Source: ABS, Catalogue 6345.0.

4.2.2 Why and how IPART adjusted the value of the WPI to account for productivity gains

In recent fare reviews, IPART has applied a productivity adjustment to the calculated increase in the TCI before using that increase as the basis for its fare recommendations. In competitive markets, competition between producers provides incentives for them to improve their productivity for their own benefit, as well as the benefit of consumers. As one of the aims of economic regulation is to simulate these

incentives, IPART considers that it is appropriate for it to adjust the calculated increase in the TCI to reflect a reasonable assumption of the productivity improvements that were possible in the taxi industry since the last review.

IPART considers that productivity improvements in the industry reduce the real cost of providing taxi services, for given inputs. While some of the inflators used by IPART already reflect productivity improvements in the broader economy, the WPI does not. If the industry improves its productivity over the regulatory period, then using the WPI to inflate the labour cost components of the TCI without any productivity adjustment would overstate the increase in unit labour costs (labour costs per unit of output). Making a productivity adjustment to these labour cost components:

- ▼ provides an incentive for the industry to improve productivity in order to maintain returns to labour and capital
- ▼ ensures that consumers share in some of the benefits of improved productivity through lower fares, as would be the case in a competitive market.

In the 2007 review, IPART applied a productivity adjustment to the total labour costs after it had determined the overall change in the TCI. However, for the 2008 review, IPART has made a final decision to adjust the value of the inflator for the labour cost items (for drivers these include notional drivers' wages, driver entitlements, driver superannuation) before inflating these items. IPART considers that this approach has several advantages, including that it:

- ▼ Enables a clearer link between the change in the TCI and IPART's recommended fare increases. By adjusting the inflators for the labour cost items for productivity, the calculated change in the TCI should be equal to the recommended change in fares.
- ▼ Means that the inflators for the labour cost components will represent the change in the unit labour costs, which is a better measure of the actual change in costs.
- ▼ Facilitates separate productivity adjustments for operators and drivers, which allows stakeholders to more easily identify overall costs attributable to drivers and operators in the TCI.
- ▼ Was supported in submissions to the draft report – for example, the Taxi Council considered this approach to be an improvement on the method used in previous reviews.¹⁹

IPART has calculated the value of the productivity-adjusted WPI using the following formula:

$$\frac{1 + WPI}{1 + X} - 1$$

where:

¹⁹ NSW Taxi Council submission, May 2008, p 8.

WPI is the average of four quarters on the previous four quarters for NSW, all industries, all sectors, total hourly rates of pay excluding bonuses, expressed as a percentage.

X is the productivity adjustment, expressed as a percentage.

4.2.3 How IPART determined the value of the productivity adjustment

IPART considers that a productivity adjustment of 0.3 per cent for drivers is reasonable and achievable. This is roughly equivalent to drivers working one extra paid trip per 17 shifts.²⁰ IPART has not changed this decision since the draft report.

In considering the productivity adjustment for drivers, IPART considered the productivity growth achieved in the economy as a whole. This growth, as measured by the average increase in GDP per hour worked in 2006/07, was 0.7 per cent. IPART took the view that drivers would not be able to make productivity improvements in line with a conservative estimate of what is achievable in the broader economy due to external factors that directly affect their work, including traffic congestion, speed limits and parking restrictions.

In making its draft decision that these gains were achievable, IPART took account of comments in the ATDA's submission that there is some scope for productivity improvements. The ATDA noted that Premium taxis earn much higher revenue on a cents per kilometre basis than standard taxis, and suggested that the drivers of standard taxis should aim to improve their revenue to the Premium taxi level. The ATDA claimed that drivers should be able to 'modify existing work practices' to perform two extra jobs per shift, making additional revenue of \$10,000 per year in additional income. The ATDA stated that:

We are ready to do our share to lift the game. Those two extra trips a shift make all the difference. Technology is at hand to assist – GPS, on-line bookings, smarter payment systems.²¹

IPART also noted that in general, networks impose higher standards on Premium taxi drivers, including a minimum number of years of experience and more stringent knowledge and customer service obligations. While Premium taxis tend to receive a higher number of bookings, IPART is of the view that at least some of their higher revenue is likely to result from the more efficient working practices of experienced drivers.

However, in response to the draft report, the ATDA has criticised the use of a productivity adjustment as it reduces the returns on labour for workers who improve productivity.²² However, IPART considers that it is reasonable to expect drivers to share productivity gains with passengers – as would occur in a competitive market.

²⁰ Assuming 15 paid trips per shift as indicated by the PwC survey.

²¹ ATDA submission, March 2008, p 35.

²² ATDA submission, May 2008, p 7.

In addition, IPART's productivity adjustment for drivers is well below the level of productivity gains being achieved in the economy as a whole and as such, IPART considers that the productivity adjustment it has made is achievable. (For further information on the economy-wide productivity gain, see Appendix C.)

4.3 LPG fuel

IPART's final decision is to inflate the LPG fuel cost item using Fueltrac data on the price of LPG fuel in the Sydney metropolitan region (for the urban TCI) and the rest of NSW (for the country TCI) for the 14 months to the end of May 2008. This method is different from that used in the draft report and in the 2007 review.

In the draft report, IPART took into account LPG prices to 31 March 2008. The ATDA suggested that because of increasing fuel prices, the current review does not recognise the cost of fuel adequately.²³ IPART agrees that LPG price volatility can lead to significant changes in drivers' costs. For this reason, IPART has decided to use the most recent available data to inflate LPG costs.

The average LPG price included in the TCI for 2007 is currently 53.8c/L for urban and 60.7c/L for country (ex GST). More recent price data from Fueltrac suggests that the average LPG price between 31 March and 31 May 2008 has been 59.1c/L for Sydney and 70.5c/L for country.

If the TCI includes costs to the end of March, drivers may have to wait until 1 July 2009 to receive compensation for fuel price increases since 31 March 2008. Although fuel prices are not a significant part of the TCI they are around 14 per cent of drivers costs and as a result price fluctuations are likely to have an impact on their cashflow.

LPG prices are more volatile than the other costs included in the TCI and recent predictions are that LPG prices will continue to rise. While consistent treatment of inflators is important, IPART considers that given the volatility in prices, the most recent LPG prices available should be included in the TCI.

IPART calculated the average daily LPG price over the 14 months to 31 May 2008, and compared this with the average daily LPG price over the 12 months to the end of March 2007. This approach results in a value for the inflator of 14.3 per cent in urban areas and 9.1 per cent in country areas.

4.4 Other drivers' costs

IPART's final decision is to inflate the other drivers' costs item by the change in the CPI. The value of this inflator is 2.3 per cent. This approach is consistent with the approach IPART used in the 2007 review, and the approach it uses to inflate other costs in other industries.

²³ ATDA submission, May 2008 p 1.

The CPI measure used is that for Sydney calculated as an average of four quarters. This inflator has been updated since the draft report to account for the release of March quarter CPI data.

4.5 Operators' salary equivalent

IPART's final decision is to inflate the operators' salary equivalent cost item by the WPI, and to adjust the value of this inflator to account for productivity gains before calculating the change in the TCI. This approach, which is the same as the approach used to inflate the notional drivers' labour costs item, results in a value for this inflator of 3.2 per cent, based on a WPI of 3.8 per cent and a productivity adjustment of 0.6 per cent. This inflator has been updated since the draft report to account for the release of March quarter WPI data.

IPART's rationale for using the WPI and adjusting the value of this inflator for productivity gains is explained in section 4.2 above.

In considering the size of the productivity adjustment to make to operators' labour costs, IPART considered the productivity growth achieved in the economy as a whole. This growth, as measured by the average increase in GDP per hour worked in 2006/07, was 0.7 per cent. IPART considered that operators should be able to make productivity improvements in line with a conservative estimate of what is achievable in the broader economy. All of the reasons for lower productivity identified in submissions relate to the productivity of drivers and not operators (see section 4.2.2). As a result, these factors do not support a reduced adjustment for operator productivity as they do for driver productivity. IPART also considered the ATDA's submission, which argued that more efficient rostering of taxis could ensure better utilisation of taxis on the road. The ATDA suggested that technological changes, such as an on-call driver database, could help improve the efficiency of rostering.²⁴

To put the productivity gain into context, it is roughly equivalent to operators completing their weekly administration 4 minutes faster.²⁵

As IPART did not receive information to suggest otherwise, it considers that it is reasonable to expect that operators can achieve productivity growth that is broadly in line with the productivity growth in the economy as a whole. (For further information on the economy-wide productivity gain, see Appendix C.)

²⁴ ATDA submission, March 2008, p 35.

²⁵ Assuming operators spend 10 hours on administration per taxi per week.

A number of submissions were critical of IPART's use of a productivity adjustment.²⁶ However, these submissions did not directly address the value of the productivity adjustment for operator's labour costs. For the reasons outlined above, IPART has decided not to change its approach for this final report.

4.6 Maintenance costs

IPART's final decision is to inflate the maintenance cost item by the 'motor vehicle repairs and servicing' expenditure class of the CPI (average of four quarters to March 2008 on the average of four quarters to March 2007). The value for this inflator is 2.7 per cent. This inflator has been updated since the draft report to account for the release of March quarter CPI data.

As Chapter 3 discussed, the maintenance costs item was previously two separate cost items: maintenance labour and vehicle parts and panels. For the 2007 review, maintenance labour was inflated by the WPI and vehicle parts and panels was inflated by the change in the motor vehicle 'parts and accessories' expenditure class of the CPI. Now that these cost items have been amalgamated, IPART considers that the 'repair and servicing' expenditure class of the CPI is a more appropriate inflator. This expenditure class includes costs of crash repairs, panel beating and the routine servicing of motor vehicles. In IPART's view, this is more appropriate than the 'parts and accessories' expenditure class, which includes the costs of individual parts and accessories, such as oil and tyres. In addition, the use of the repair and servicing expenditure class of the CPI is consistent with IPART's inflator for maintenance costs in the Bus Industry Cost Index.

4.7 Plate lease costs

IPART's final decision is to inflate the plate lease costs item by using quotes for leasing taxi licences provided by taxi networks. This results in a value of 10.1 per cent for the inflator. This inflator has been updated since the draft report to account for lease costs to the end of March 2008. IPART considers that for this review, the information provided by the Taxi Council is the most reasonable estimate available for the change in plate lease costs. However, it would prefer to use inflators that are independently obtained and will investigate the options for obtaining information on lease cost movements from a non-industry source.

Operators can obtain a licence plate by either buying the plate outright, or by leasing the plate from an existing owner. Licence plate lease costs can therefore be incorporated into the TCI in two ways:

- ▼ Including a reasonable rate of return on the value of the asset. In practise, this involves applying an appropriate interest rate to the value of the licence plate. This reflects the opportunity cost of the operator owning the licence plate.

²⁶ ATDA submission, May 2008, p 7, Paul Fletcher submission, May 2008, p 2 and NSW Taxi Council submission, May 2008, p 8.

- ▼ Including the cost to the operator of leasing the plate from a licence owner.

Historically IPART has applied the rate of return method. However, the Issues Paper for the 2008 fare review expressed concern over the continued use of licence plate values to determine fares on the basis that the value of licence plates is influenced by the expected future income from it, which depends at least in part on the level of fares.

The NSW Taxi Council was the only stakeholder that commented on this issue. It does not support continuing the current approach of applying an interest rate to the change in actual licence plate values. While the Taxi Council did not consider that circularity was a significant problem, it noted that licence plate values have increased substantially in recent months and as a result considers that the rate of return approach is no longer a reasonable measure of changes in lease costs.

In theory, the choice between a rate of return on the licence plate value and the licence plate lease cost should make little difference, since the value of a licence plate and lease costs should be intimately related. The annual income from a licence plate is generated by leasing it to an operator. Therefore, so long as the yield on a taxi licence plate moves in line with the bond rate, the two measures should be broadly equivalent.

However, since the 2007 fare review, data provided by the Ministry of Transport indicates that the average licence plate transfer value has increased from \$291,614 to \$352,839,²⁷ an increase of around 21 per cent. With the bond rate increasing by around 0.7 percentage points, this implies that the return on investment in a licence plate should have increased by around 35 per cent. But according to data provided by the Taxi Council of New South Wales, licence plate lease costs have increased by only 10.1 per cent, from \$24,868 to \$27,389.

This implies that the yield on taxi licence plates has fallen from 8.4 per cent to 7.7 per cent, despite the increase in the bond rate. The premium over the bond rate has therefore fallen from 2.2 percentage points to 0.7 percentage points. See Table 4.3.

Table 4.3 Comparison of movements in costs and yields (year to March 2008)

	2007	2008	Change %
Licence plate value (\$)	291,614	352,839	21.0
Bond rate (%) ^a	6.3	7.0	0.7
Implied lease cost (\$)	18,328	24,745	35.0
Actual lease cost (\$)	24,868	27,389	10.1
Implied yield (%) ^a	8.5	7.8	-0.7
Premium over bond rate (% point)	2.2	0.8	-1.4

^a The change is represented as a percentage point change.

²⁷ Data obtained to March 18, 2008.

The reason for this situation is unclear. The Taxi Council suggested that there has been a lot of speculative investment in licence plates in New South Wales recently. The departure of Macquarie Bank from the taxi market may also have led to a changed perception of the risk associated with owning a taxi licence plate, which manifested as an increase in the value of existing licence plates. Alternatively, the substantial increase in the value of licence plates in NSW may indicate a shortage of licence plates relative to demand for taxi services.

What is clear is that the method used to inflate licence plate-related costs in the TCI has a significant impact on the fare increase. IPART's Terms of Reference require it to consider the cost of providing taxi services. The TCI is designed to measure the change in costs incurred by drivers and operators in providing taxi services. IPART considers that it is therefore reasonable to use the method that most closely reflects the cost to operators. The Taxi Cost Survey undertaken by PwC indicated that typically operators lease their licence plates. Data requested from the Ministry of Transport confirms this, showing that 81 per cent of licences in Sydney are leased, however, the proportion is much lower in other areas. Given the current divergence of lease costs and licence plate values, IPART is of the view that using the actual change in lease costs provided by the Taxi Council most closely reflects the actual costs incurred by operators. In the future, IPART will investigate whether lease cost information can be obtained from a non-industry source in order to ensure that the measure is as independent as possible.

IPART considers that the divergence is likely to be a short term issue. In the long run lease costs should be closely related to licence plate values. The current situation may correct itself by either a fall in plate values, an increase in lease costs or a combination of the two. If the higher plate values flow through to higher lease costs then IPART will be required to raise fares to reflect that outcome. One of the potential causes of the increase in licence plate values is a shortage of licences when compared to growth in demand for services. Given that there is no statutory limit or cap on the number of licences which may be issued, IPART considers that the Ministry of Transport (which administers taxi licensing arrangements) may wish to investigate this issue.

4.8 Insurance

IPART's final decision is to inflate the insurance costs item using the insurance services sub group of the CPI, as it did for the 2007 review (average of four quarters on the average of four quarters). The value of this inflator is 1.8 per cent. This inflator has been updated since the draft report to account for the release of March quarter CPI data.

4.9 Vehicle lease payments

IPART's final decision is to inflate the vehicle lease payments cost item using the 'motor vehicles' expenditure class of the CPI, as it did for the 2007 review (average of four quarters on the average of four quarters). The value of this inflator is -0.3 per cent. This inflator has been updated since the draft report to account for the release of March quarter CPI data.

4.10 Network fees

For both the urban and country TCI, IPART's final decision is to inflate the network fees cost item by the actual change in a weighted average of the network fees for all urban networks. The value of this inflator is 4.0 per cent. There has been no change in this inflator since the draft report.

Ideally, IPART would like to use a weighted average of a representative sample of country network fees to inflate the network fees cost item in the country TCI. However, it considered that this was not possible this year because:

- ▼ country network fees are much more volatile than those of urban networks
- ▼ there is little correlation between movements in fees over different country towns
- ▼ it is likely that there is inconsistent reporting of country network fees
- ▼ country network fees are not priced in a competitive market and may not reflect efficient costs.

Given the current lack of reliable data for country areas, IPART considers that there is little option but to use the inflator for urban network fees at this stage. If the reporting deficiencies in country networks can be overcome, IPART will reconsider using actual country network data.

IPART acknowledges the efforts being made by the Taxi Council to improve the reporting of network fees and notes that once the data becomes sufficiently reliable there is no reason that it should not be used in future years. For this reason, IPART intends to meet with the Country Taxi Operators' Association to assist in improving the reporting of network fees.

4.11 Other operators' costs

IPART's final decision is to inflate the other operators' costs item by the change in the CPI. The value of this inflator is 2.3 per cent. This approach is consistent with the approach IPART used in the 2007 review, and the approach it uses to inflate other costs in other industries. It is also consistent with the approach used to inflate other drivers' costs in this review.

The CPI measure used is that for Sydney calculated as an average of four quarters. This inflator has been updated since the draft report to account for the release of March quarter CPI data.

5 Required average increase in fares and approach for applying this increase to fare components

IPART used the final decisions on the weightings of the cost items in the TCI, the inflators to be used to inflate each cost item, and the values of those inflators discussed in Chapters 3 and 4 to calculate the overall change in the cost of providing taxi services since 1 July 2007. It then determined the average fare increase required to recover this overall cost change, taking into account the fact that last year it recommended fare increases higher than the overall cost change measured by the TCI to compensate for the fact that the 2007 fare increases were implemented later than 1 July.

In addition, IPART considered what method it should use to ensure that the required average increase in fares is appropriately translated into recommended increases in individual fare components. It also reviewed the assumptions about what constitutes the 'average fare', which it uses to do this.

5.1 IPART's final decisions

IPART's final decision is that fares need to increase by an average of 3.8 per cent in urban areas, and 3.3 per cent in country areas, to cover the estimated overall increase in the costs of providing taxi services over the period 1 July 2007 to 30 June 2008. The increase for urban areas is the same as that indicated under the draft report and for country areas, is slightly higher than indicated in the draft report.

These required fare increases are based on an overall increase in the cost of providing taxi services of 4.7 per cent in urban areas, and 4.3 per cent in country areas, as measured by the TCI. Ordinarily, IPART's decision on the required increase in the average fare would be the same as the overall increase in costs measured by the TCI. However, this year, the increase has been adjusted down to take account of the fact that fare increases occurred in late August 2007 (at a higher value than if they had been implemented at 1 July).

IPART has decided to retain the 'average fare' approach for the purpose of translating the required average change in fares to recommended increases in individual fare components, but has made a number of changes to the assumptions underlying the 'average fare' for both urban and country areas.

The following sections explain these final decisions in more detail.

5.2 The overall change in costs measured by the TCI

IPART calculates that the urban TCI has increased by 4.7 per cent, and the country TCI increased by 4.3 per cent. These increases represent an estimate of the increase in the cost of providing typical taxi services, from 1 July 2007 to 30 June 2008.

Tables 5.1 and 5.2 show how the increases in the urban and country TCI were calculated.

Table 5.1 Urban Taxi Cost Index calculation

	2007 costs	2007 weight	Change in inflator	2008 costs	Contribution to index
	\$	%	%	\$	%
Driver costs					
Notional drivers' wages	79,326	39.7	3.5	82,102	1.4
Notional self-funded entitlements	3,786	1.9	3.5	3,918	0.1
Driver superannuation	8,210	4.1	3.5	8,498	0.1
LPG fuel	13,712	6.9	14.3	15,669	1.0
Other drivers' costs	4,997	2.5	2.3	5,113	0.1
Total drivers' costs	110,031	55.0		115,301	
Operator costs					
Driver entitlements in the Contract Determination	8,113	4.1	3.5	8,397	0.1
Operators' salary equivalent	13,977	7.0	3.2	14,423	0.2
Maintenance costs	9,886	4.9	2.7	10,154	0.1
Plate lease costs	25,000	12.5	10.1	27,534	1.3
Insurance	14,958	7.5	1.8	15,223	0.1
Vehicle lease payments	5,251	2.6	-0.3	5,237	0.0
Network fees	6,564	3.3	4.0	6,824	0.1
Other operators' costs	6,235	3.1	2.3	6,381	0.1
Total operators' costs	89,984	45.0		94,173	
Total costs	200,015	100.0		209,474	4.7

Note: Columns may not add due to rounding.

5 Required average increase in fares and approach for applying this increase to fare components

Table 5.2 Country Taxi Cost Index calculation

	2007 costs	2007 weight	Change in inflator	2008 costs	Contribution to index
	\$	%	%	\$	%
Driver costs					
Notional drivers' wages	80,546	42.5	3.5	83,366	1.5
Notional self-funded entitlements	12,082	6.4	3.5	12,505	0.2
Driver superannuation	8,337	4.4	3.5	8,628	0.2
Other drivers' costs	3,163	1.7	2.3	3,236	0.0
Total drivers' costs	104,128	55.0		107,735	
Operator costs					
Operators' salary equivalent	14,192	7.5	3.2	14,645	0.2
LPG fuel	12,273	6.5	9.1	13,386	0.6
Maintenance costs	8,029	4.2	2.7	8,248	0.1
Plate lease costs	19,700	10.4	10.1	21,696	1.1
Insurance	8,521	4.5	1.8	8,672	0.1
Vehicle lease payments	5,251	2.8	-0.3	5,237	0.0
Network fees	9,250	4.9	4.0	9,616	0.2
Other operators' costs	7,975	4.2	2.3	8,160	0.1
Total operators' costs	85,192	45.0		89,661	
Total costs	189,319	100.0		197,396	4.3

Note: Columns may not add due to rounding.

The weightings for next year's review will be calculated using the costs for 2008 shown in Table 5.1 and 5.2 above.

The TCI represents a weighted average of the cost increases incurred by drivers and operators in providing taxi services. Historically the Industrial Relations Commission (IRC) has used the increase in costs for urban operators to change the maximum pay-in in the Contract Determination. Under IPART's final decision, the annual increase in drivers and operators costs is set out in Table 5.3.

Table 5.3 Percentage increase in costs incurred by drivers and operators - July 2007 to June 2008

	Urban	Country
Driver cost increase	4.8	3.5
Operator cost increase	4.7	5.2
Weighted average cost increase	4.7	4.3

Note: If superannuation is included as an operator cost instead of a driver cost, the annual increase for operators in urban areas is 4.6 per cent and for drivers is 4.9 per cent.

5.3 Average increase in fares required to recover overall increase in costs

Ordinarily, the fare increase required to recover the overall cost increase measured by the TCI is equal to the change in the TCI (including productivity adjustment). However, in 2007 fares were not adjusted at 1 July but were in fact increased on 27 August. In making its recommendations for the 2007 fare review, IPART anticipated the late implementation of the fare change and recommended that fares be increased above the rate suggested by the increase in the TCI, to compensate for the late implementation. The adjustment made to fare changes in 2007 now needs to be corrected, to avoid double-counting of the cost increases.

IPART considers that the simplest way to do this is to adjust the required average increase in fares indicated by the TCI in 2008 (which represents the percentage increase to the average fare at 1 July 2007 required to recover cost increases over the period 1 July 2007 and 30 June 2008), so that it reflects the percentage increase to the average fare at 27 August 2007 required to cover the cost increases over this same period.

Table 5.4 compares the average fares at 1 July and 27 August 2007, and percentage fare increases required to recover cost increases measured by the TCI in 2008. The table uses IPART's updated average fare (see section 5.5 for further information).

Table 5.4 Average fares at 1 July and 27 August 2007, and average fare increases required to recover costs measured by the TCI since 1 July 2007

	Urban	Country
Value of average fare required at 1 July 2008	\$20.97	\$16.47
Value of average fare specified at 1 July 2007	\$20.02	\$15.78
Change to fares at 1 July 2007 required to compensate for cost increases since 1 July 2007	4.7%	4.3%
Value of average fare specified at 27 August 2007	\$20.20	\$15.93
Change to current fares needed to compensate for cost increases since 1 July 2007	3.8%	3.3%

Note: Average fares under updated assumptions, as specified by IPART for the 2008 review are shown above. Figures have been rounded.

Source: IPART, *Maximum fares for taxis in NSW for 2007/08*, July 2007, pp 25-26.

IPART has used the adjusted required average fare increases of 3.8 per cent for urban areas and 3.3 per cent for country areas in determining its fare recommendations for 2008. In coming to this final decision, IPART has taken into account the impact of the overall fare increases on key stakeholders and the reported service quality and performance standards of taxis. A summary of service quality statistics is contained in Appendix D.

5.4 Method for applying required average fare increase to fare components

Historically, IPART has used the concept of a specified 'average fare' for urban and country taxis to translate the required average increase in fares into recommendations for increasing the individual components of fares (such as flag fall, distance rates, booking fees etc). This translation involves exercising its judgement in changing the value of individual fare components, to ensure that the 'average fare' increases in line with the overall percentage change in costs measured by the productivity-adjusted TCI.

If the 'average fare' IPART uses accurately reflects the true average, then this method should result in changes in fare revenue that reflect the average required change. However, one of the shortcomings of this approach is that there will always be some fare components, such as the maxi taxi surcharge, that will fall outside the definition of the average fare. For fare components outside the definition, IPART exercises its discretion as there is no consistent basis for recommending changes to those fare components.

The Issues Paper for this review raised an alternative approach of using a basket of typical fares rather than a single 'average fare' to ensure that all fare components are captured in the analysis.²⁸ In theory, using more than one fare would provide a better means of ensuring that the overall increase required is appropriately translated into fares, much like a weighted average price cap approach. However, this is only the case where there is sufficient information to allow IPART to 'weight' the various fares or fare components. Without weighting the fares, it is not possible to estimate what impact fare increases would have on overall fare revenue. Submissions did not provide any indication of typical fares that could be used for this purpose.

Without additional information on either typical fares or weights that could be applied to them, there is not enough information to implement an alternative approach. Therefore, IPART's final decision is to retain the average fare approach.

²⁸ IPART, 2008 *Review of Taxi Fares in NSW – Issues Paper*, p 35.

5.5 Definition of the 'average fare'

The average fare assumptions try to mirror the average fare paid by passengers. The average fare is currently based on assumptions for an 'average fare' proposed by the NSW Taxi Council and used by the then Department of Transport to calculate a fare adjustment for GST.²⁹

Having considered the available information, IPART's final decision is to make a number of changes to the assumptions used to calculate the average fare for both urban and country areas. All of these changes were foreshadowed in the draft report. However, IPART has included an assumption that 20 per cent of trips are covered by the night time surcharge, rather than the 15 per cent suggested in the draft report.

Table 5.5 summarises IPART's final decisions on the assumptions about the average fare that it has used to derive its 2008 fare recommendations, and compares them to the assumptions used in 2007. For comparison purposes, the table also sets out the impact of adopting new assumptions on the value of the average fare using the maximum fares that are currently in place.

Table 5.5 IPART's final decisions on average fare assumptions compared to the current assumptions

	Urban 2007	Urban 2008	Country 2007	Country 2008
Distance travelled	7 kms	7 kms	3 kms	5 kms
Waiting time	3 mins	5 mins	3 mins	3 mins
Share of trips that are phone bookings	20%	20%	50%	65%
Share of trips that are covered by night surcharge	-	20%	-	15%
Value under current fares	\$18.16	\$20.20	\$11.85	\$15.93

In making its decisions, IPART considered data from:

- ▼ the Transport Data Centre's (TDC) Household Travel Survey (2007 release)
- ▼ the PwC taxi cost survey (2007)
- ▼ the Australian Taxi Drivers' Association's (ATDA) submissions (2007 and 2008)
- ▼ the NSW Taxi Drivers' Association's (NSWTDA) submissions (2006 and 2007)
- ▼ the NSW Taxi Council's submissions (2008).

The TDC's Household Travel Survey provides information on taxi trips made by a sample of 5,000 households in the greater metropolitan area. Table 5.6 sets out the relevant information obtained from the TDC.

²⁹ NSW Taxi Council submission to IPART, April 2001, p 9 and IPART, *Report on NSW Taxi Fares*, July 2001, p 50.

Table 5.6 Average trip in the greater metropolitan area – Household Travel Survey

	Average distance	Average time
	Kilometres	Minutes
Sydney	7.3	19.5
Central Coast	3.9	14.8
Blue Mountains	12.1	18.8
Newcastle	5.2	14.0
Wollongong	3.6	9.2
Other	3.5	10.2
Average for the greater metro	6.8	18.3

Source: Transport Data Centre, 2007 release.

While the Household Travel Survey provides recent and independent estimates for the average fare, it focuses on households within the greater metropolitan area. As a result it does not capture other segments of the market, for example, tourist travel and business travel by passengers living in other areas. Nevertheless, it does provide a useful source of information, and is the only available source that is disaggregated into regional levels, showing the variation in trips undertaken.

The PwC survey also provides useful information. It is the only source that provides estimates for country as well as urban areas. However, the survey results on waiting time have not been used due to problems with the interpretation of the relevant survey question.³⁰ The other information considered by IPART was obtained from submissions. While the ATDA and NSW TDA both provided data obtained from meter readings, these readings are limited to a small sample of taxis from Alexandria. While IPART has no reason to believe that the information provided is not reliable, it is not possible to verify that the data provided is representative.

As there is not any single source of information that provides a robust estimate, all information has been used to inform the analysis. Table 5.7 summarises the information considered.

³⁰ There is confusion about whether respondents interpreted the question on waiting time to refer to time spent without a passenger. Very high responses suggest that the survey data is unreliable on this issue and this is also implied by submissions from the ATDA and NSW Taxi Council.

Table 5.7 Average trip in urban areas

	Year	Distance ^a	Waiting time	Share of phone bookings
		Km	Minutes	%
ATDA Submission	2008	6.1	4.8	17
Taxi Council Submission	2008	7.0	n/a	n/a
Transport Data Centre	2007	6.8	5.5 ^b	31
Taxi Cost survey (median)	2007	7.7	unreliable	20
Taxi Cost Survey (mean)	2007	7.2	unreliable	29
ATDA Data	2007	8.4	n/a	20
ATDA Submission	2007	5.5	5.4	14
NSWTDA Submission	2007	8.3	5.0	27 ^c
ATDA submission	2006	6.1	4.8	17%
High		8.4	5.5	31
Low		5.5	4.8	14
Mean		7.0	5.1	21.9
Median		7.0	5.0	20.0

a In some cases these have been calculated by dividing the number of paid kilometres per shift by the number of passenger trips.

b Estimated by IPART at 30% of total trip time – the average proportion of total trip time reported by ATDA 2008 and NSWTDA 2006 from available meter data.

c Represents rounded midpoint of the figures given (25 and 28%).

Note: The PwC taxi cost survey asked for 'waiting time' but it is not clear whether this was designed to reflect waiting time with a passenger or downtime (time spent waiting for a passenger).

5.5.1 Distance travelled

IPART's final decision is that no change to the distance assumed in the average fare calculation for urban areas is necessary. The mean and median of all estimates available suggest that the 7 kilometres currently used is reasonable.

In country areas, IPART's final decision is to use a distance assumption of 5 kilometres. In country areas, the PwC survey is the only estimate available and it suggests that the 3 kilometre distance currently used is too low. The survey showed a distance per trip of 5.5 kilometres (survey median) or 5.9 kilometres (survey mean) in country areas.³¹ The Taxi Council supports the use of the survey data for average kilometres travelled in country areas. Data from the TDC suggests that less urbanised areas in the household travel survey (for example, central coast and Wollongong) tended to show shorter distances than the more urbanised parts of the metropolitan area (such as Sydney), suggesting that it is reasonable for the country average fare to include a lower distance travelled than the urban average fare. While this was not uniform, the less urbanised areas tended to involve trips of 3 to 4 kilometres.

³¹ PricewaterhouseCoopers, *Review of Weightings in the Taxi Cost Model*, January 2008.

Both of these decisions are consistent with the assumptions applied in the draft report. These assumptions are supported by the NSW Taxi Council for both urban and country areas.³²

However, in response to the draft report the ATDA submitted that for urban areas the average distance should be 5.5 kilometres (consistent with its submission on the Issues Paper). The ATDA submitted that 1.5 to 2 kilometres of the total trip distance is on waiting time (distance travelled at a speed of less than the 26km/hr threshold) and as a result, should be removed from the distance travelled in order to avoid double counting in the average fare.³³

IPART agrees that some of the total trip distance would be travelled on waiting time and that this could double count that part of the trip. However, IPART is of the view that the available evidence does not support the ATDA's submission that the average trip distance should be reduced below 7km. The TDC Household Survey found that in Sydney the average total trip time was 19.5 minutes for an average distance of 7.3km. This implies an average trip speed of around 22km per hour. For 1.5 to 2 kilometres of the trip to be driven on waiting time, as suggested by the ATDA, the average speed on waiting time would need to be between 18 and 24 km per hour.³⁴ If this was the case then the average trip speed would be significantly higher than 22km per hour.

Given the average distance travelled on waiting time appears to be well below the levels suggested by the ATDA it is likely to have little impact on the distance assumption. The distance assumption of 7km is based on data from a number of different sources, which ranges from a high of 8.4km to a low of 5.5km. The PwC survey suggested a median trip distance of 7.7km and a mean of 7.2km – both slightly above 7kms. As such, IPART remains of the view that an assumption of 7km charged at the distance rate should be retained in the urban average fare.

5.5.2 Waiting time

The waiting time component of the fare applies when passengers are in the taxi but the speed of the taxi is below a specified threshold (currently around 26km/hr). For example, the waiting time rate would be charged when the taxi is at traffic lights or travelling in heavy traffic congestion. There is less information available on waiting time than on the other components of the average fare as many of the available estimates do not include specific waiting time information. There is also some confusion of terminology with drivers who regard waiting time as time spent waiting for a passenger.

³² NSW Taxi Council submission, May 2008, p 9.

³³ ATDA submission, May 2008, p 2.

³⁴ Using the assumed 5 minutes of waiting time.

The TDC information, one of the most independent sources of recent average fare information, does not include an estimate of the waiting time per trip. However, it does estimate the average trip time. Information from the ATDA in 2008 and the NSW TDA in 2006 suggests that waiting time is around 30 per cent of total trip time. Applying this assumption to the TDC information gives a waiting time estimate of 5.5 minutes. This estimate is slightly above the other estimates obtained. However, the available estimates of waiting time are fairly consistent, ranging from 4.8 to 5.5, with a mean and median very close to 5 minutes. (Table 5.6 summarises the range of available estimates.)

All estimates are significantly above the 3 minutes currently assumed for urban areas. Waiting time estimates could be expected to change over time. The nature of fare changes themselves have a direct impact on the amount of waiting time as the threshold speed (recalculated each year) is the basis for the definition. These higher figures are consistent with anecdotal evidence that waiting time is increasing as a result of traffic congestion.³⁵

In the draft report, IPART noted that it did not receive any submissions with waiting time information for country areas and without the results of the PwC survey there are no direct estimates available. The average trip time in country areas is much shorter than the average in urban areas and congestion is unlikely to be a significant issue in most country towns. As a result, the amount of waiting time could be expected to be less on average than in urban areas.

Given the above, IPART's draft decision was to increase the waiting time assumed in the urban average fare from 3 minutes to 5 minutes, and to maintain the waiting time assumed in the country average fare at 3 minutes. Submissions from the NSW Taxi Council and the ATDA supported the draft decision to include waiting time per trip of 5 minutes in urban areas.³⁶ The Taxi Council was the only stakeholder to comment on the assumption for country areas and supported the Tribunal's assumption of 3 minutes of waiting time.³⁷

On the basis that submissions received on this issue supported the assumptions made in the draft report, IPART's final decision is to affirm the waiting time assumptions in the draft report – 5 minutes for urban taxis and 3 minutes for country taxis.

³⁵ See for example, NSWTC submission, March 2008, p 25.

³⁶ NSW Taxi Council submission, May 2008, p 9, ATDA submission, May 2008, p 5.

³⁷ NSW Taxi Council submission, May 2008, p 9.

5.5.3 Share of phone bookings

For the urban average fare, the share of phone bookings currently assumed in the average fare calculation is 20 per cent. This is the result of two previous downward revisions. No change has been made to the country average fare, which remains at 50 per cent.

For urban areas, the available estimates are within the range of 14 to 31 per cent. The mean and median of the estimates are both close to the 20 per cent currently assumed. The TDC's Household Travel Survey suggests that the figure is higher, at around 31.4 per cent. Estimates provided by the taxi drivers' associations are generally slightly below 20 per cent. It may be that the reason for the discrepancy between these estimates is that the TDC data only captures household usage and does not capture tourist and some business segments of the market.

In country areas, the PwC survey suggests that the share of phone booked trips is 64 per cent (survey median) and 65 per cent (survey mean). Both these estimates are higher than the current assumption of 50 per cent, and are well above the levels suggested by the survey results for urban areas. The NSW Taxi Council suggests that these results are realistic, and submitted that a figure above 50 per cent should be used.³⁸ IPART asked a sample of country network operators whether they considered 65 per cent a reasonable assumption. All networks who responded with information stated that 65 per cent should be considered a lower bound, with the actual proportion of trips booked being around the 70 per cent mark.

Based on the above information, IPART's draft decision on the percentage of trips assumed to be phone bookings was to maintain the assumption for urban areas at 20 per cent, and increase the assumption for country areas to 65 per cent as suggested by the PwC survey.

The NSW Taxi Council supported the Tribunal's draft decision assumptions for both urban and country areas. The ATDA did not comment on the assumption made for country areas but submitted that for urban areas the proportion of trips that are booked should be 1 in 6.³⁹ The ATDA provided no information to support its view. In coming to its conclusions in the draft report IPART took into account previous submissions from the ATDA that the proportion of booked trips was below 20 per cent.

On the basis that no new information has been presented to suggest that the share of phone bookings assumed in the draft report is incorrect, IPART's final decision is to affirm the booking assumptions in the draft report - 20 per cent for urban taxis and 65 per cent for country taxis.

³⁸ NSW Taxi Council submission, March 2008.

³⁹ ATDA submission, May 2008, p 5.

5.5.4 Extending the assumptions to include other fare components

Currently the average fare calculation does not incorporate all fare components. The following fare components are excluded:

- ▼ night time surcharge
- ▼ holiday surcharge (equal to the night surcharge but applies on Sundays and public holidays in the country only)
- ▼ luggage fee
- ▼ maxi-taxi surcharge
- ▼ distance charge tariff II (country only).

Some of these charges do not lend themselves to inclusion in the calculation as they are intermittently charged. Others do not apply to standard (or typical) taxis (for example, the maxi taxi surcharge).

However, in the draft report, IPART indicated that it intended to include the night time surcharge (urban and country areas) and Sunday/Public Holiday surcharge (country only) in the calculation based on the percentage of trips that are made under these surcharges. This is similar to the inclusion of the booking fee in the calculation (where it is assumed 20 per cent of urban taxi trips are booked). The Sunday and public holiday surcharge in country areas can also be included in this way.

The draft report noted that there is little information regarding the proportion of trips for which the night surcharge applies and no information on the Sunday and public holiday surcharge.

The ATDA submitted meter data showing that revenue from the night time surcharge was around 5 per cent of fares collected. Based on the total revenue from distance charges provided, this implies that a significant proportion of trips are done at night time rates. The Victorian Essential Services Commission released an interim report on taxi fares in Victoria on 19 March 2008. In this report the ESC assumes that 15 per cent of trips in Victoria are made at the night time rate, and this proportion is factored into the average fare calculation. In Victoria, the hours that the late night surcharge (metropolitan zone) operates are midnight to 5am, and the late night extra (outer suburban zone) operates midnight to 6am – both are shorter than the NSW operation, which runs from 10pm to 6am.

On the basis of the above information, IPART adopted a conservative assumption of 15 per cent in the draft report and sought comment from stakeholders. In response to the draft report, the ATDA agreed that around 15 per cent of all fares are on Tariff II (night surcharge) rates.⁴⁰ However the ATDA argued that this assumption is inconsistent with the assumptions made in the draft report (specifically that 9 hours are worked per shift).

⁴⁰ ATDA submission, May 2008, p 8.

The Taxi Council provided estimates from taxi networks in both Sydney and country areas. However, the Taxi Council notes that as these estimates are a sample only they may not be representative. The urban estimates range from 20 to 27 per cent and the country estimates range from 10 to 18 per cent.⁴¹ The Taxi Council recommends using assumptions of 23 per cent and 15 per cent for urban and country areas respectively.

Based on the information provided by stakeholders, IPART's final decision is to include an assumption that for urban areas the night time surcharge applies to 20 per cent of total trips. This estimate is close to the mid-point of the estimates received from the ATDA and Taxi Council (19 per cent) and is slightly above the Victorian equivalent. For country areas IPART's final decision is to assume that the night time and/or holiday surcharges apply to 15 per cent of trips.

⁴¹ NSW Taxi Council submission, May 2008, p 9.

6 Recommendations on fare components

IPART has made recommendations on the value of fare components that ensure that the 'average fare' changes by the average percentage fare increase required to recover the costs in the TCI. It has also considered the impact of its recommendations on fares and stakeholders.

The section below summarises IPART's final decisions and recommendations on the fare components. The subsequent sections discuss IPART's considerations and analysis in making these decisions and recommendations, the impact of the recommendations on fares for a variety of trips, and the implications of these recommendations on stakeholders.

6.1 IPART's final decisions and recommendations

Recommendation

- 1 Maximum fares for taxis in urban and country areas should consist of the components and values shown on Table 6.1.
- 2 Taxis should no longer be entitled to charge a luggage fee.

Table 6.1 IPART's recommendations on fare components from 1 July 2008

	Urban	Country
Flag fall (\$)	\$3.10	\$3.60
Distance charge/Tariff I (\$ per km)	\$1.85	\$1.88
Distance Tariff II (\$ per km) ^a	n/a	\$2.65
Night-time surcharge/holiday surcharge ^b	20% on top of distance rate	20% on top of distance rate
Waiting time (\$ per hour)	\$48.00	\$49.00
Waiting time threshold speed (km)	26km per hour	26km per hour
Booking fee (\$)	\$2.00	\$1.10
Maxi cab surcharge ^c	50% on top of fare	50% on top of fare

^a Applies to each kilometre after the first 12km in country areas, first 12km are at the normal distance charge.

^b The night-time surcharge applies to journeys commencing between 10 pm and 6 am. The holiday surcharge (country areas only) applies to journeys commencing between 6 am and 10 pm on Sunday or a public holiday.

^c No surcharge applies where the maxi-cab is hired from a taxi zone or hailed on the street to carry up to 5 passengers.

In formulating these recommendations, IPART made final decisions:

- ▼ to increase the booking fee by 25 per cent in urban areas and 10 per cent in country areas
- ▼ to largely retain the current relativities between other fare components
- ▼ to leave unchanged the current entitlement to charge a return toll on northbound crossings of Sydney Harbour
- ▼ not to recommend the introduction of a charge for the use of children's car seats
- ▼ not to recommend an extension of the hours of the night time surcharge.

6.2 IPART's considerations and analysis

In coming to its recommendations on the value of fare components for 2008, IPART considered whether the relativities between the current fare components are providing the correct incentives to the industry. In their submissions, stakeholders largely supported the current relativities and cautioned against making significant changes. The Taxi Council suggested that the overall increase in fares should be applied as evenly as possible to each of the fare components, so as not to change the relativities between different fare components in any substantial way. The ATDA requested numerous changes to current fares, while retaining relativities similar to those currently in place.⁴²

IPART also considered three specific changes to the current maximum fares requested in submissions:

- ▼ the Taxi Council requested the introduction of a \$5 charge for passengers requesting a child car seat
- ▼ the ATDA requested that the night surcharge be applied to both the waiting time charge and distance rate, and that IPART consider allowing the surcharge on Sundays and public holidays to be applied in urban areas
- ▼ whether allowing drivers to charge for a return toll on the Sydney Harbour Bridge and Tunnel remains appropriate.

Given the support for the current fare structure, IPART decided not to make substantial changes in the relativities between fare components. In most cases, the current value of the component was increased by the required average increase in fares (3.8 per cent in urban areas, and 3.3 per cent in country areas, as discussed in section 5.1) then rounded if necessary. The exceptions are the booking fee component, which was increased by 25 per cent in urban areas and 10 per cent in country areas, and the luggage fee, which was removed entirely.

⁴² ATDA submission, March 2008.

The distance rate (and where necessary the waiting time charge) was used as a balancing item – ie, it was increased by the amount required to ensure that the ‘average fare’ increased by the required average increase.

IPART’s recommendations are different from the draft recommendations released in April in two respects:

- ▼ the recommended increase in the booking fee for country areas has been reduced from the 25 per cent recommended in the draft report to 10 per cent
- ▼ on balance, IPART has decided not to recommend to the Minister that taxis no longer be able to charge a return toll on northbound harbour crossings.

IPART’s considerations in relation to the individual fare components (other than the distance rates) are discussed in more detail below.

6.2.1 Flag fall

Some stakeholders suggested that the flag fall component should increase. The ATDA submitted that the current flag fall is sufficient to encourage short journeys, but an additional 50 cents should be added to allow for the extra time involved in processing credit card transactions.⁴³ The Taxi Council also submitted that the current relativities are appropriate, and noted that the flag fall charge is designed to provide compensation for the time spent collecting the fare, including processing electronic transactions etc, and generally for being available for hire.

IPART’s draft recommendation was that the flag fall component be increased by the average required increase, then rounded to the nearest 10 cents. In both urban and country areas, this results in an increase in the flag fall of 10 cents to \$3.10 in urban areas and \$3.60 in country areas. In response to the draft report, the ATDA considered that for urban areas a flag fall of \$3.50 would be more appropriate. Another taxi driver, Mr Bradley, also supported a \$3.50 flag fall.⁴⁴ No other submissions commented on the level of the flag fall recommended in the draft report.

IPART considers that given the increase proposed in the booking fee it would not be desirable to increase the flag fall significantly. The draft recommendation was based on earlier submission comments that the relativity between the flag fall and distance components is currently about right. For these reasons, IPART’s final decision on the flag fall for urban areas is to affirm its draft recommendation that the flag fall for urban areas is increased from \$3.00 to \$3.10.

No submission comments were received on the proposed flag fall for country areas. As a result, IPART’s final decision is that the flag fall for country areas is increased from \$3.50 to \$3.60, consistent with its draft decision on this issue.

⁴³ Although the fare charged to passengers for electronic transactions includes a 10 per cent surcharge, drivers continue to receive only the value of the fare as the surcharge is retained by Cabcharge (or other provider of electronic payment equipment).

⁴⁴ Trevor Bradley submission, May 2008.

6.2.2 Night-time surcharge

Currently the night-time surcharge is added to the distance rate, for trips between 10pm and 6am. It provides extra compensation to drivers for working unsociable hours, and the additional safety risks involved with night-time driving.

The ATDA proposed that this surcharge also apply to the waiting time charge, and that IPART consider extending the times at which the surcharge applies to include all hours on Sundays and public holidays in urban areas. However, the ATDA did not provide adequate information to support either of these requests. Further, if IPART were minded to extend the surcharge, other fare components would need to reduce so that the average fare changes in line with the change in the TCI. For these reasons, IPART does not consider that it can recommend changes to the application of the night time surcharge at this time.

IPART's final recommendation is that the night-time surcharge remains at the current level of 20 per cent on top of the distance rate.

6.2.3 Waiting time

Both the Taxi Council and the ATDA submitted that waiting time cannot simply reflect the actual cost of drivers' labour, as it also needs to cover costs of time spent without a passenger (dead time). In addition, they suggested that the current waiting time charge is well accepted by passengers and a change would be confusing.

Estimates suggest that around half of the time spent in the taxi is without a paying passenger. Fares need to be set to cover all costs of providing a taxi service and this includes dead time. It is necessary to have some dead time in order that sufficient taxis are available for hire when needed. The waiting time threshold is set to ensure that minimum costs are covered and that distance rates will always at least compensate drivers at an amount equivalent to waiting time. The waiting time represents a floor for driver earnings. The ATDA suggested that the appropriate floor should be closer to \$60 an hour, but proposed an increase in the rate from \$46.20 to \$50.⁴⁵

Waiting time currently makes up a significant proportion of drivers' income from driving: around 35 per cent (excluding flag fall).⁴⁶ On the information provided by the taxi drivers' associations, waiting time is around 30 per cent of total trip time, and around 15 per cent of total shift time. The information also suggests that the average amount of waiting time per trip is increasing.

A reduction in the waiting time charge would reduce the incentive to pick up passengers in wheelchairs, as waiting time is charged while the driver is loading the

⁴⁵ ATDA submission, March 2007, p 10.

⁴⁶ ATDA submission, May 2007, p 14.

passenger. Submissions noted that it would also make drivers more likely to avoid driving taxis in peak times.

Given the above, IPART's final recommendation on the waiting time charge (in \$ per hour) has been increased by roughly the required average increase in fares. This results in an increase in this charge of around \$1.80 per hour for both urban and country taxis (to \$48.00 and \$49.00 respectively).

6.2.4 Waiting time threshold speed

Stakeholders also supported the retention of the current approach to calculating the threshold speed at which waiting time commences (waiting time rate in \$/hr divided by distance charge in \$/km). For this reason, IPART has not proposed a change to this approach. However, IPART does consider that for ease of understanding, the threshold should be reported to the nearest whole kilometre. Therefore, consistent with the draft report, IPART's final recommendation is that the threshold speed be 26km/hr for both urban and country taxis, which is slightly higher than the current threshold speeds of 25.88 km/hr in urban areas and 25.52km/hr in country areas.

6.2.5 Booking fee

The ATDA submitted that the booking fee is designed to cover the cost of 'dead running' to get to the pick-up point, and that the current fee of \$1.60 is not sufficient to cover this cost, plus a phone call to the passenger on arrival, especially given the ATDA's estimate that one in eight passengers does not show to accept the booking. The ATDA requested that the phone booking fee be increased by around 120 per cent to \$3.50.⁴⁷

Similarly at the public hearing there were calls from other driver representatives to improve the incentives associated with phone bookings:

The booking fees of \$1.60 are just outrageously small. ... The booking fee of \$1.60 in no way recognises the dead running costs of the journey to the pick-up point, and for that reason the service delivery point drivers to passenger travels is really badly skewed.

... drivers are not being rewarded to go and pick up a person at a private home when they can queue up at a local pub and just, without any dead kilometres, wait for the fare to come out and if you want people to get those radio bookings completed, it's your responsibility to make those radio bookings viable and attractive.⁴⁸

However, NCOSS submitted that increasing the fixed component of journeys is likely to have an impact on passengers with mobility challenges, who use taxis to access local services. Other stakeholders confirmed that passengers in wheelchairs typically pre-book all their taxi trips.

⁴⁷ ATDA submission, March 2008.

⁴⁸ Ernie Mollenhauer (Treasurer of the NSW Taxi Drivers' Association) at IPART Public Hearing, 11 March 2008, p 43.

IPART considers that in order to improve the incentives for drivers to pick-up passengers who make a booking there is a case for increasing the relative importance of the booking fee. Drivers must pay for the fuel costs of getting to the pick-up point, as well as for the time involved and a phone call on approach if required. The KPI data provided by the Ministry of Transport confirms that around one in nine passengers who book a taxi do not show up to collect it⁴⁹ and IPART agrees that drivers also need to be compensated for the costs associated with attending these bookings.

IPART's draft decision was that the current \$1.60 is unlikely to fully cover the costs associated with phone bookings. However, given the significant impact on less mobile and lower income passengers, IPART did not support the large increase proposed by ATDA. Therefore, IPART's draft recommendation was that the booking fee component be increased by 25 per cent in both urban and country areas.

In response to the draft recommendations, submissions generally supported the increase in the booking fee for urban areas. The Taxi Council noted that the increase would provide an extra incentive to drivers to accept phone bookings and should improve services levels.⁵⁰ However the Taxi Council notes that people taking short trips will be disproportionately affected. The Physical Disability Council of NSW (PDCN) also noted the impact on passengers taking short trips but noted that it would support the increase provided drivers received the additional revenue.⁵¹ A taxi driver, Mr Bradley submitted that the rate should be higher, at \$2.50.⁵²

However, for country areas, the Taxi Council submitted that there is less need for a large increase in the booking fee and requested that the booking fee not be increased by more than ten cents (10 per cent).⁵³

Having considered all of the above, IPART's final decision is that the booking fee for urban areas be increased consistent with the draft recommendation – from the current \$1.60 to \$2.00 but that the country booking fee be increased by only 10 cents to \$1.10.

IPART accepts that these increases in the booking fee will have a larger impact on passengers who book a taxi to travel short distances. However, because fare components are varied to ensure that the average fare increases by the overall increase in costs, this larger increase in the booking fee means that increases in other fare components (flag fall, waiting time and the distance rate) are lower than they would be if the booking fee was increased in line with the overall change in costs. As the flag fall and waiting time are also important components of the fare for less mobile passengers travelling short distances, the impact of the higher booking fee on these passengers will be offset to some extent.

⁴⁹ The number of passenger 'no shows' was 8.8 per cent of bookings required and 10.9 per cent of jobs accepted.

⁵⁰ NSW Taxi Council submission, May 2008, p 9.

⁵¹ PDCN submission, May 2008, p 7.

⁵² Trevor Bradley submission, May 2008.

⁵³ NSW Taxi Council submission, May 2008, p 9.

6.2.6 Maxi cab surcharge

The maxi cab surcharge applies where a maxi cab is hired except where it is hired from a taxi zone or hailed on the street to carry up to 5 passengers or as a multiple hiring.

IPART's draft recommendation was that this surcharge remains at the current level, which is 150 per cent of the standard fare. The Physical Disability Council of NSW (PDCN) was the only stakeholder to comment on the level of the maxi taxi surcharge. In response to the draft report, PDCN requested an increase in the surcharge to 75 per cent on top of the fare in order to provide more income to drivers of WAT vehicles.⁵⁴

IPART does not consider that there is sufficient evidence to suggest that the maxi taxi surcharge should be increased. IPART is of the view that the income of WAT drivers is better addressed through direct incentives to provide WAT services to passengers in wheelchairs directly rather than through the maxi taxi surcharge. For these reasons, IPART's final decision is to recommend that the surcharge remains at the current level, which is 150 per cent of the standard fare.

6.2.7 Luggage fee

Drivers have a legal obligation to give reasonable assistance to passengers to load and remove their luggage.⁵⁵ Currently, drivers can charge a luggage fee for luggage weighing over 25 kilograms. This fee is designed to compensate drivers for loading time and increased fuel consumption associated with the heavier load. The value of this fee is 10 cents for each subsequent 25 kilograms over the initial 25 kilograms, or part thereof, up to a maximum of 55 cents.

In its Issues Paper, IPART noted that with no means of weighing luggage, the weight-based charge appears to be impractical. In addition, the costs associated with loading luggage for the vast majority of passengers are expected to be minimal – and even if they were significant on occasion, the fee is currently capped at such a small value that it would not go a long way to compensating the driver for the additional time. Furthermore, it makes little sense to charge an additional fee to cover the cost of additional fuel used as a result of the weight of luggage when fees do not apply for additional passengers.

The ATDA supported the removal of the current luggage fees stating that:

... these are not even worth consideration. The maximum 55 cents is far more likely to be picked up as tip to a co-operative and helpful driver than as a chargeable fee.⁵⁶

⁵⁴ PDCN submission, May 2008, p 9.

⁵⁵ Clause 154(4) of the *Passenger Transport Regulation 2007* states that the driver of a taxi-cab must afford every reasonable assistance in loading and removing luggage or goods.

⁵⁶ ATDA submission, March 2008, p 10.

NCOSS also supported the removal of the luggage fee, and agreed that a weight-based charge where there is no capacity to weigh luggage is impractical. However, the Taxi Council argued that the charge must either be retained or drivers must be compensated for its removal.

Given the difficulties with accurate charging, the small value of the luggage fee, and stakeholder comments, IPART made a draft recommendation to remove the luggage fee. While IPART agrees in theory that its removal should be compensated for, there are no statistics on how often the luggage fee is charged or able to be charged. Given the small value of the luggage fee (maximum 55 cents), it is unlikely that the overall loss in revenue would be significant.

In response to the draft report, the NSW Taxi Council again indicated that it does not support the removal of the luggage fee without other fare components being raised to compensate for its removal. The Taxi Council considers that it is reasonable for drivers to be paid for assisting passengers with large amounts of luggage and submits that the Tribunal's arguments for removing it are not convincing.⁵⁷

Having considered the views put forward by stakeholders, and noting that no new information has been provided following the draft report, IPART's final decision is to recommend the removal of the luggage fee.

Prior to the draft report, the ATDA suggested that where taxis are primarily hired to transport goods, they should be permitted to use the maxi taxi surcharge (currently 50 per cent on top of the standard fare). In the draft report, the Tribunal requested comment on whether it would be appropriate to introduce an alternative regulated luggage charge where taxis are required to act as de facto removal services. There was limited support for such a charge from stakeholders. The Taxi Council does not support an additional charge for parcel transport but supports allowing this to be agreed by negotiation between networks, drivers and customers.⁵⁸ The Taxi Council supported the ability for taxis to provide such services by negotiation. IPART agrees that the fare attributable to such services should be negotiable and as such, does not support the introduction of additional luggage charges for such services.

6.2.8 Additional charge for children's car seats

The Taxi Council requested the introduction of a \$5 charge where passengers request a child seat. The charge is designed to cover the costs involved in cleaning and storing (including lost luggage space) the seat, and the driver time to fit and remove the seat. The charge represents 6.5 minutes of a driver's time, which the Taxi Council submits is the approximate cost involved. The Taxi Council also submits that passengers could avoid the charge by providing their own child seat. No other stakeholders commented on this suggestion. However, the Minister for Transport has indicated that the Government does not support the introduction of such a fee.

⁵⁷ NSW Taxi Council submission, May 2008, p 10.

⁵⁸ NSW Taxi Council submission, May 2008, p 12.

IPART notes that it is illegal for a child to travel in a taxi without an approved child restraint. Currently there are regulations requiring all WATs to have baby capsules and all authorised networks to have 10 per cent of their taxis fitted with capsules.⁵⁹

IPART considers that there is not a strong argument that the time spent fitting child restraints is not compensated for. For all taxis, hiring commences when the driver arrives at the passenger's destination and informs the passenger that the taxi is waiting. Drivers may start the meter at this time. Most passengers are unaffected by this regulation as they enter the taxi soon after being notified of its arrival. For passengers in wheelchairs, the regulation provides the driver with compensation while the passenger is being loaded. Similarly, it provides the driver with compensation while the child car seat is being installed. As the level of the waiting time charge is substantially higher than the estimated labour costs of the driver, this should provide adequate compensation to the driver for the estimated 6.5 minutes of labour involved and the cost of cleaning and maintaining the car seat.

In most cases, it is likely to be impractical for passengers to bring their own child car seat with them in order to avoid the \$5 charge. Even if some passengers were able to do this, the regulations continue to require taxis to have sufficient restraints available and drivers would still be responsible for ensuring that the restraint is correctly installed. These costs cannot be eliminated by passengers bringing their own seats.

For the reasons set out above, IPART's draft decision was not to support the introduction of a \$5 fee for the provision of a children's car seat. In response to the draft report, the Taxi Council submitted that there is a need for an incentive for the industry to ensure sufficient supply of car seats and to recover the costs associated with their provision and maintenance. The Taxi Council indicated that the draft recommendation will not allow passengers to benefit from the increased service they would have received if the Taxi Council's proposal of a \$5 charge was implemented.⁶⁰ A number of driver submissions also supported the introduction of an additional charge on the basis that it provides drivers with an incentive to provide good performance.⁶¹

IPART has again considered the views of the taxi industry put to it in submissions. However, it considers that no persuasive information or arguments have been presented since the draft report. As a result, IPART's final decision is that it does not support the introduction of a \$5 charge for the provision of a child's car seat.

⁵⁹ *Passenger Transport Regulation 2007*, clause 108(b) and clause 176.

⁶⁰ NSW Taxi Council submission, May 2008, p 12.

⁶¹ See for example, Trevor Bradley submission, May 2008.

6.2.9 Return toll on northbound Sydney harbour crossings

A submission from an individual taxi passenger requested that IPART consider whether it remains appropriate to continue to allow a toll to be charged on northbound Sydney Harbour crossings.⁶² IPART's draft decision was that it should recommend removing the ability of drivers to do this on the basis that the harbour crossing should be treated in the same way as all other toll roads.

In response to the draft report, IPART received a number of submissions from the taxi industry, mainly from taxi drivers, arguing against the draft recommendation. Non-industry stakeholders who responded to this issue supported the draft recommendation and felt that it would improve services in non-CBD areas.

IPART considered this issue in detail following the release of the draft report. While IPART is of the view that there is a case for removal of the ability to charge the return toll on northbound crossings, it has decided on balance not to recommend its removal. The issues considered by IPART are discussed below.

Availability and use of alternative routes

A number of submissions claimed that the harbour crossing requires differential treatment because there is no alternative route or that the alternative route (via Gladesville Bridge) is financially unrealistic.⁶³ The NSW Taxi Council submits that 'Similar provisions do not apply elsewhere because drivers are not compelled to incur the cost. On all other toll roads drivers can (and invariably will) use alternate routes when they are available for hire.'⁶⁴ Paul Fletcher (a taxi driver) submits that 'There is no alternative route short of the Gladesville Bridge and that is impractical'.⁶⁵

Despite these comments, it is clear that the Gladesville Bridge is an alternative route that is available for some journeys. While the trip back to the CBD is quicker via the Harbour Bridge or Tunnel, this is the case for all toll roads (in fact, this is usually the reason that motorists are willing to pay a toll). Drivers have indicated that their behaviour on both the Harbour crossing and other toll roads (such as the M4) depends on the time of day and their view of how likely they are to pick up a fare in the region they are in.

⁶² Submission from W Geddes, 25 March 2008.

⁶³ Paul Fletcher submission, May 2008, Michael Hatrick submission, May 2008, NSWTC submission, May 2008, p 11, Adrian Neylan submission, May 2008.

⁶⁴ NSWTC submission, May 2008, p 11.

⁶⁵ Paul Fletcher submission, May 2008.

Impact on drivers/operators

While drivers submit that they mostly return to the CBD, they may in fact either have a paying passenger on the return trip or choose to travel back to the CBD via the Gladesville Bridge. Where drivers recover the return toll from the northbound customer and also charge the toll to the southbound customer – the driver in effect double dips. That said, drivers' ability to do this is likely to vary depending on the time of day. Industry stakeholders argued that most of the work is CBD based (especially at night) and it is better for drivers to return immediately to the CBD than to stay on the north side and look for a fare back.⁶⁶ Information provided by a driver, Michael Hatrick shows that a taxi driver working night-shifts receives no advantage from the northbound toll on the majority of harbour crossings (by returning to the CBD with no passenger and paying the southbound toll).

Submissions support the view that the industry will lose an important source of income if the ability to charge the return toll is removed.⁶⁷ The NSW Taxi Council submitted that it 'would be mean spirited to remove it'.⁶⁸ The ATDA argues that the cost to passengers is small but the impact on taxi drivers is large. For example the ATDA submitted that 'On a Friday night the \$3 extra on a night on the town for one passenger would add \$30 to the Drivers "other costs"'.⁶⁹ IPART acknowledges these concerns and notes that no allowance has been made for the cost of tolls in the TCI.

Submissions have argued that the removal of the toll is not good for productivity. However, IPART considers that it may actually facilitate some productivity improvements. For example, it should support the roll-out of meters that can automatically link with an e-Tag so that toll charges are recorded on the meter rather than being added by the driver. As more tolls become cashless (e-only) a direct link with meters will be necessary to maintain productivity.

Impact on passengers

The Physical Disability Council of NSW supported the removal of the toll noting that it may encourage wheelchair accessible taxi (WAT) drivers to relocate to other areas of Sydney where response times are high.⁷⁰ Tourism and Transport Forum also supported the removal of the return toll on the grounds that it would benefit passengers.⁷¹

⁶⁶ Michael Hatrick submission, May 2008, ATDA submission, May 2008, p 7.

⁶⁷ Paul Fletcher submission, May 2008, Michael Hatrick submission, May 2008, ATDA submission, May 2008, p 7, NSWTC submission, May 2008, p 11.

⁶⁸ NSWTC submission, May 2008, p 11.

⁶⁹ ATDA submission, May 2008, p 7.

⁷⁰ Physical Disability Council of NSW submission, May 2008, p 9.

⁷¹ Tourism and Transport Forum submission, May 2008, p 6.

However, drivers have indicated that they will refuse to take passengers who want to travel north over the harbour if the return toll is removed. They also submit that it would cause 'major disaster and disruptions', though no explanation of this was provided.⁷² Another submission argued that taxis will avoid the City north precinct so that passengers at the Rocks, Opera House and Circular Quay will not be able to get a taxi – and noted that 'North Shore passengers will be extremely frustrated at being rejected due to drivers not being interested in marginal fares when other work is available'.⁷³

In considering these issues, IPART noted that drivers are obliged by law to accept all hirings – to refuse passengers travelling to the northern suburbs of Sydney would put the driver in breach of the Passenger Transport Regulations.⁷⁴

6.3 Impact of the fare increases on stakeholders

In making its recommendations, IPART has considered the impact of its recommended increase to maximum taxi fares for all stakeholders including taxi industry participants, taxi passengers, the environment and the government. The sections below summarise the impact of the recommendations on the average fare, and a variety of trips. The subsequent sections discuss the implications of these fare increases on stakeholders.

6.3.1 Changes in fare components compared with current fares

Tables 6.2 and 6.3 show the changes that passengers (and drivers) will actually see, as they compare the current fares (from August 2007) to the recommended fares (from 1 July 2008).

Table 6.2 Urban fares: Comparison of current and recommended fare components

	Current	Recommended	Difference
Flag fall (\$)	\$3.00	\$3.10	3.3%
Distance charge/Tariff I (\$ per km)	\$1.79	\$1.85	3.4%
Night-time/holiday surcharge	20% on top of distance rate	20% on top of distance rate	-
Waiting time (\$ per hour)	\$46.20	\$48.00	3.9%
Waiting time threshold speed (km)	25.81 km per hour	26 km per hour	
Booking fee (\$)	\$1.60	\$2.00	25.0%
Maxi cab surcharge	50% on top of fare	50% on top of fare	-

Note: Figures have been rounded.

Source: Ministry of Transport website.

⁷² Trevor Bradley submission, May 2008.

⁷³ Adrian Neylan submission, May 2008.

⁷⁴ *Passenger Transport Regulation 2007*, s146.

Table 6.3 Country fares: Comparison of current and recommended fare components

	Current	Recommended	Difference
Flag fall (\$)	\$3.50	\$3.60	2.9%
Distance charge/Tariff I (\$ per km)	\$1.83	\$1.88	2.8%
Distance Tariff II (\$ per km) ^a	\$2.57	\$2.65	3.3%
Night-time/holiday surcharge	20% on top of distance rate	20% on top of distance rate	-
Waiting time (\$ per hour)	\$47.20	\$49.00	3.8%
Waiting time threshold speed (km)	25.79 km per hour	26 km per hour	
Booking fee (\$)	\$1.00	\$1.10	10.0%
Maxi cab surcharge	50% on top of fare	50% on top of fare	-

^a Applies to each kilometre after the first 12km in country areas, first 12km are at the normal distance charge.

Note: Figures have been rounded.

Source: Ministry of Transport website.

6.3.2 Impact of fare changes on a sample of trips

IPART has considered the impact of the above recommendations on the fares paid by passengers for a sample of different trips (Tables 6.4 and 6.5). This analysis shows that short trips that are booked by phone will rise by more than other types of trips in percentage terms, due to the recommended increase in the booking fee.

Table 6.4 Urban – changes in fares for a selection of different trips

	Current	Recommended	Change
Short City ^a	14.28	14.80	3.6%
To the Shops ^b	12.53	13.30	6.1%
Friday Night Home ^c	39.07	40.40	3.4%
Airport ^d	46.56	48.50	4.2%

^a The short city trip is 2 kilometres long, and involves 10 minutes of waiting time due to heavy traffic congestion.

^b The trip to the shops is phone booked, 4 kilometres long with 1 minute of waiting time.

^c The Friday night trip home is 15 kilometres long and involves 5 minutes of waiting time. Where applicable, it attracts the night-time surcharge.

^d The airport trip is 20 kilometres long, with 8 minutes of waiting time and a phone booking. It excludes airport charges.

Table 6.5 Country – changes in fares for a selection of different trips

	Current	Recommended	Change
Intra Town ^a	9.78	10.06	2.9%
Into Town ^b	17.05	17.61	3.3%
Longer Trip ^c	36.53	37.66	3.1%

^a The intra town trip is hailed off the street, is 3 kilometres long and involves 1 minute of waiting time.

^b The 'into town' trip is phone booked, is 6 kilometres long and involves 2 minutes of waiting time.

^c The longer trip is phone booked, 15 kilometres long and involves 3 minutes of waiting time.

6.3.3 Implications for taxi industry participants

IPART's role in regulating the taxi industry is to ensure that the maximum taxi fares it recommends are at a level that reflects the cost of providing taxi services to passengers. Given the level of fares in place, IPART has no role in setting the returns available to different industry participants.

IPART considers that its recommendations on fare increases are likely to maintain the industry's current level of financial viability, as they have been determined by the outcomes obtained from an industry-specific cost index and the expected gains in labour productivity. IPART has undertaken some additional analysis to check whether the level of fares currently in place is reasonable given the costs included in the TCI and found that the available evidence does not suggest that fares are below the level required to recover costs overall (see Chapter 7).

6.3.4 Implications for passengers

The overall impact of IPART's recommended increase on passengers is likely to be small, because spending on urban transport fares (including taxi fares) represents the equivalent of less than one per cent of average Australian household incomes.⁷⁵ However, IPART recognises that the increases being recommended will have an impact on individual taxi users.

Submissions to IPART highlighted the impact on low-income earners and passengers with disabilities if an increase above CPI is recommended.⁷⁶ IPART is aware that taxi users are often low-income earners, and taxi trips can be a necessary expense for passengers with few transport options. The Physical Disability Council notes that people with limited mobility often have little choice but to travel by taxi, and that many are on low or fixed incomes.⁷⁷

A survey of household expenditure by the ABS confirms that while those in the highest income quintile spend proportionately more of their expenditure on taxis than other groups, those in the lowest income quintile spend the second highest proportion.⁷⁸ For some low-income passengers the impact of higher taxi fares is tempered somewhat by the Taxi Transport Subsidy Scheme (TTSS) which subsidises taxi fares for qualifying passengers.

⁷⁵ In the weights used in the 15th series of the Consumer Price Index, urban transport fares comprise less than one per cent of an average Australian household's spending. It is likely that the proportion of expenditure on taxi-fares in non-metropolitan households would be lower.

⁷⁶ NCOSS submission, February 2008, p 1.

⁷⁷ PDCN, IPART Public Hearing Transcript, 11 March 2008, p 31.

⁷⁸ ABS, Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04.

NCOSS submitted that a relatively higher flag fall will disproportionately affect passengers taking shorter trips, which includes people with mobility difficulties.⁷⁹ IPART recognises this, and therefore has not recommended an increase in flag fall above the required average increase. However, it notes that the recommended increases to the booking fee will have a greater impact on passengers taking shorter trips.

Submissions also noted that many passengers of wheelchair accessible taxis (WATs) have lower incomes than other passengers.⁸⁰ IPART has specifically considered submission comments regarding WATs in Chapter 10.

6.3.5 Implications for the environment

The impact of the recommended maximum fare increases on the environment in terms of pollution and congestion is likely to be minimal. This is because the number of taxis in NSW is a small proportion of the overall number of NSW passenger motor vehicles, comprising approximately 0.2 per cent.⁸¹

6.3.6 Implications for Government

Government funding of fares for taxi services is limited to rebates provided via the taxi transport subsidy scheme (TTSS), which provides a 50 per cent subsidy up to a maximum of \$30 for people who are unable to use public transport due to a severe and permanent disability. In 2006/07, 1.9 million taxi trips were subsidised by the TTSS at a cost of \$20.9 million. Since 2001/02, TTSS payments have risen by an average of 11.9 per cent per year. All else being equal, an increase in maximum taxi fares is likely to increase the level of Government funding required for the TTSS. However, the fare increases under the recommendations are not substantial and as a result IPART does not consider that there will be a significant impact on funding required.

⁷⁹ NCOSS submission, March 2008.

⁸⁰ PDCN submission, March 2008.

⁸¹ IPART, *Maximum fares for taxis in NSW for 2007/08*, July 2007, p 28.

7 | Level of fares compared with costs

The cost information provided by the PwC survey has given IPART the opportunity to consider whether the current level of fares is sufficient to generate enough fare revenue to recover reasonable costs of a typical taxi. IPART's findings on this issue are summarised in the section below. The subsequent sections discuss IPART's considerations and analysis in reaching this decision.

7.1 IPART's findings

IPART does not set a minimum wage for drivers and does not determine the allocation of returns in the industry. While the drivers' associations submitted that fares need to be increased further in order to ensure that drivers receive an appropriate hourly rate of pay, the available information for urban taxis suggests that fares are currently set at a level that should recover the reasonable costs for a typical taxi operating efficiently.

This conclusion is consistent with the finding in IPART's draft report. However, due to a number of changes to the allocation of costs between drivers and operators from what was included in the draft report, the outcomes estimated for drivers and operators are different from those included in the draft report.

7.2 Stakeholders' views on revenue received

In their submissions, the two taxi drivers' associations (NSWTDA and ATDA) argued that given the current level of taxi usage, the current level of fares is not sufficient to allow the recovery of all costs. For example, they claimed that the 'wage' earned by drivers is around \$13 per hour, not the \$19 per hour PwC used to build up costs.

In response to these concerns, IPART explored whether taxi fares, at their 2007 level, can generate sufficient revenue to recover the level of costs used to calculate the TCI. If there is no significant difference between the total level of fare revenue and the total level of costs, then the concerns expressed by the drivers' associations may be a result of the way fare revenue is allocated among the various industry participants, rather than shortcomings of the TCI approach.

Based on its analysis of the available data on costs and revenues (discussed in the sections below), IPART considers there is nothing to suggest that the overall level of fares is out of step with the costs estimated for 2007 for urban taxis. However, estimates of fare revenue vary significantly, depending on the assumptions used to derive them. Better information on revenue and taxi usage would allow IPART to test the relativity of costs and revenue more fully.

7.3 Available data on costs and revenues overall

While the primary purpose of the taxi cost survey undertaken by PwC was to re-set the weightings in the TCI, this task required PwC and IPART to estimate the annual costs of providing services for typical urban and country taxis. Table 7.1 summarises IPART's final decisions on these estimated costs and compares them to the cost estimates used to calculate the TCI in 2007.

Table 7.1 Cost estimates used to calculate the TCI

	Current TCI (\$)	IPART's final decision (\$)
Urban		
Driver costs	93,015	110,031
Operator costs	107,617	89,984
Total costs	200,632	200,015
Country		
Driver costs	74,461	104,128
Operator costs	81,575	85,192
Total costs	156,036	189,319

Note: Cost amounts recommended by PwC are GST inclusive, cost amounts from the current TCI are exclusive of GST.

Source: IPART, *Maximum fares for taxis in NSW for 2007/08*, July 2007, pp 15-16 and PricewaterhouseCoopers, *Review of Weightings in Taxi Cost Model*, December 2007, p 22.

While IPART is reasonably confident in the reliability of its information on the cost side, the same is not true for the information on the revenue side. A variety of methods could be used to develop estimates of fare revenue, including:

- ▼ collecting revenue information from a representative sample of taxis
- ▼ collecting information on fares paid from a representative sample of passengers
- ▼ multiplying estimates of the average fare and number of trips per taxi.

There is not enough information available for IPART to use any of these methods to estimate fare revenue for country taxis. There is some information available to estimate fare revenue for urban taxis, and IPART has attempted to use this data to develop a range for annual fare revenue per urban taxi (discussed in section 7.4 below). However, it is not confident in the resulting estimates, due to shortcomings in the data.

For example, the revenue data obtained via the PwC survey is so different to PwC's own cost estimates and other revenue estimates that IPART does not consider that it is reliable. (For instance, the PwC survey data suggests that an average urban fare generates around \$5 in revenue, compared with IPART's assumptions of around \$20 and the ATDA's estimate of around \$16.)

The two taxi driver associations have provided some revenue estimates, based on a sample of taxis from Alexandria. While IPART has no reason to doubt the validity of the information provided, it is not confident that it represents data for a broader area, for a broader selection of drivers, or even for the taxis for which meter data is provided (if drivers were avoiding using meters). In addition, there is likely to be variation between drivers as a result of differing levels of skill and experience, which will also affect fare revenue estimates.

Nevertheless, IPART believes that obtaining more meter data on a regular basis from a representative sample of drivers will assist it in future fare reviews. IPART strongly encourages drivers and their associations to provide meter data on an on-going basis.

IPART attempted to obtain reliable revenue and driver income information from other sources, such as the Australian Bureau of Statistics and the Australian Taxation Office. However, none of these bodies were able to provide adequate information that could be used to estimate annual revenue for a standard taxi.

7.4 Comparison of costs and revenue for a typical urban taxi using IPART's assumptions for 2007/08

IPART tested the revenue implications of the assumptions it has made in this final report against the cost estimates discussed above. Table 7.2 shows the operating assumptions IPART made in determining the weightings of the cost items in the TCI (ie, the inputs to the cost model that underlies the TCI). It also shows the estimated value of drivers' and operators' share of these costs (ie, the outputs of the cost model), and the average fare at 1 July 2007.

IPART used the assumptions and cost estimates shown in this table to estimate whether, given the level of the average fare in 2007, taxi fares generate sufficient revenue to cover drivers' costs and operators' costs (Table 7.3).

Table 7.2 IPART's operating assumptions and cost estimates for drivers and operators, 2007

	Value
Operating assumptions (per taxi)	
Weeks per year	52
Shifts per year	520
Km travelled per year	130,000
Paid trips per shift	19
Maximum pay in per shift	165
Hours worked per shift	9
Cost estimates (per taxi)	
Total drivers' costs per year	110,031
Total operators' costs per year	89,984
Total costs of a typical taxi per year	200,015
Average fare assumptions	
Under current fares	20.20

Note: Pay-in is based on the average pay in per shift from the current IRC contract determination.

Based on the above assumptions and cost estimates, it is IPART's view that a taxi should be able to generate revenue that is approximately equal to costs – as set out in Table 7.3. IPART considers that its assumptions are conservative, and notes that they result in revenue that is below the level that the ATDA claims is the current revenue earned by NSW taxis.

IPART has no role in setting the distribution of fares to operators and drivers. However, it has again considered the distribution of fare revenue between drivers and operators under the current maximum pay-in set by the Industrial Relations Commission and IPART's final decisions on costs.

This analysis was also included in the draft report. A comparison of the estimates that result from IPART's draft decisions is set out in Table 7.3. There are significant differences between the operator's margin calculated by IPART in the draft and final reports. The reported change in operators' margins is because of IPART's decision to include the cost of providing the entitlements to drivers set out in the Contract Determination as an operator cost.

IPART is confident that the costs to operators have not been significantly under or over estimated and as such a step change to fares is not required to increase revenue to either operators or drivers. There may be a number of reasons that operators appear to have negative margins (for example, operators may be involved in other sectors of the taxi industry and may receive revenue from other sources such as advertising).

Table 7.3 Revenue less costs for drivers and operators under assumptions applied by IPART, 2007

	Draft decision	Final decision
Driver pay less driver's costs		
Driver fare collected	198,390	199,576
Pay-in to operator	85,904	85,904
Non labour driver costs (ie, fuel and 'other costs')	18,709	18,709
Fare collected less pay in to operator and non labour driver costs	93,777	94,963
Calculated hourly 'wage' estimate for drivers	20.04	20.29
Operator pay less operator's costs		
Operator revenue (pay-in to operator)	85,904	85,904
Operator costs	80,396	88,840
Operator revenue less operator cost	5,508	-2,936
Operator 'margin'	7%	-3%
Costs and revenue overall		
Revenue in \$ per km	1.53	1.54
Costs in \$ per km	1.53	1.54

Note: Driver fare collected is equal to an average fare of \$20.20 multiplied by 19 paid fares per shift for 520 shifts per year. IRC pay-in is \$165.20 per shift. The hourly wage estimate for drivers is based on a 9 hour shift for 520 shifts per year.

In response to the analysis included in the draft report stakeholders were critical of IPART's use of the maximum pay-in set by the IRC and provided information to suggest that market based pay-ins vary significantly and are strongly discounted compared with the maximum level. The NSW TDA provided a submission that shows the rates that drivers pay-in to operators varies significantly and are generally well below the maximum level determined by the IRC.⁸² The NSW TDA submits that this has implications for driver and operator pay and means that IPART needs to reconsider its analysis to take this into account. Similarly the NSW Taxi Council submitted that IPART should not use the maximum pay-in for this purpose and noted that this issue is closely related to the assumed allocation of entitlements between drivers and operators.⁸³

IPART uses the change in an industry cost index to make recommendations to the Minister on taxi fares. As part of its 2008 review IPART has looked at the costs, level of fares and weightings in the index to ensure that all of the reasonable costs of operating a typical taxi are captured. As a cross check, IPART has compared estimates of revenue for a typical taxi with the costs. This analysis indicates that under current fares operators do not recover all of the notional costs that have been allocated to them in the TCI. However, it does indicate that a typical taxi earns sufficient revenue to recover costs overall. As Table 7.3 indicates, this analysis is

⁸² NSW TDA submission, May 2008, p 15.

⁸³ NSW Taxi Council submission, May 2008, p 4.

highly dependent on revenue and cost assumptions and there is a degree of imprecision in these estimates. In addition, the outcomes for drivers and operators are also highly dependent on assumptions regarding the share of overall revenue each receives.

IPART does not have a role in determining how revenue is shared between the sectors of the taxi industry. IPART has again used the maximum pay-in rather than the 'market' pay-ins reported by taxi drivers because:

- ▼ It has allocated the cost of driver entitlements in the Contract Determination to operators – the PwC survey suggests that in the market pay-ins are discounted as a means of trading these entitlements so this approach ensures that they are not double counted.
- ▼ It is the value in the Contract Determination set by the IRC so provides a consistent framework for analysis with an independent and verifiable figure.
- ▼ Market based pay-ins are not consistent across operators and may change over time depending on labour market conditions.
- ▼ The pay-in selected for the analysis shown above is used only to provide an indicative allocation of fare revenue between drivers and operators – a reduction in the pay-in increases the pay to drivers and reduces the pay to operators. The pay-in selected does not have any impact on IPART's fare recommendations or on the actual revenue received by drivers or operators. What is important to IPART is that overall revenue is sufficient to recover costs.

In addition, the ATDA's response to the draft report suggested that further consideration should be given to the impact of GST on the revenue received by drivers and operators and whether an operator profit margin should be included in the TCI.⁸⁴ Ordinarily IPART would carry out analysis for pricing reviews based on GST exclusive costs and any GST would be added to final prices by the regulated business. However, PwC's analysis, which formed the basis of the reweighting process for the Taxi Cost Index (TCI) in this year's review, used GST inclusive costs. In keeping with this approach, IPART also used GST inclusive costs for all of its analysis and recommendations. IPART acknowledges that the treatment of GST has implications for both the weightings included in the TCI and the level of fares compared with the level of costs. However, it is not straightforward to remove the GST from the TCI because not all of the cost items include a 10 per cent GST component.

⁸⁴ ATDA submission, May 2008, p 4.

7.5 Comparison of costs and revenue for a typical urban taxi using the full range of revenue estimates available

The figures discussed in section 7.4 above are based on IPART's assumptions regarding taxi operation. There is a large range of cost and revenue estimates that can be obtained by changing the underlying assumptions – in fact the analysis discussed in this section shows that the revenue estimates are sensitive to operating assumptions. IPART considers that the assumptions it has relied on to obtain the revenue estimates in section 7.4 are the most independent and robust assumptions available. Nevertheless, IPART accepts that they may not reflect the actual operating practices of all taxis.

For this reason, IPART has examined the relativities between costs and revenue, by comparing the cost estimates used in calculating the TCI with a range of fare revenue and usage estimates for a typical taxi. As noted above, there was no single set of reliable usage and revenue data on which to base this analysis. Therefore, IPART derived a range of estimates using information in PwC's report on its survey findings and information provided by industry stakeholders.⁸⁵ Table 7.4 sets out this range of revenue and usage estimates.

⁸⁵ In particular, IPART used information provided by NSWTD in 2006, the ADTA in 2008 and the Taxi Council.

Table 7.4 Reasonable range of revenue and usage estimates (per taxi, per year)

	High	Low	Mid-point	Data source
Estimated revenue	217,920	183,750	200,835	<ul style="list-style-type: none"> ▼ High is IPART's current average fare multiplied by high estimate for total trips per taxi ▼ Low is ATDA's 2008 estimate
Calculated revenue	243,120	158,400	198,550	<ul style="list-style-type: none"> ▼ Calculated by multiplying estimates for average fare by estimates for number of trips per taxi
Average fare	\$20.26	\$15.84	\$18.05	<ul style="list-style-type: none"> ▼ Calculated using range of available estimates of average trip length, waiting time and phone bookings
Number of paid trips ^a	12,000	10,000	11,000	<ul style="list-style-type: none"> ▼ High is ATDA's 2006 estimate rounded up ▼ Low is ATDA's 2008 estimate rounded down
Weeks operated per year	52	50	51	<ul style="list-style-type: none"> ▼ High is PwC's 2008 estimate ▼ Low is ATDA's 2008 estimate
Shifts operated per week	13	10	11.5	<ul style="list-style-type: none"> ▼ Calculated as shifts per year divided by number of weeks
Shifts operated per year	676	500	588	<ul style="list-style-type: none"> ▼ Calculated (number of weeks times number of shifts per week)
Hours operated per year	8,112	4,500	6,906	<ul style="list-style-type: none"> ▼ High is calculated as ATDA 2006 estimate of 12 hrs per shift by high estimate of shifts per year ▼ Low is calculated as PwC 2008 estimate of 9hrs per shift by low estimate of shifts per year
Total kilometres travelled	175,000	111,800	143,400	<ul style="list-style-type: none"> ▼ High is ATDA's 2008 estimate ▼ Low is PwC's 2008 estimate (based on driver responses to survey)

^a Estimates from the PwC survey were considered to be unreasonably low and estimates from the NSW Taxi Council were considered unreasonably high. Both of these estimates were excluded from the range.

IPART considers that overall, the above estimates of fare revenue suggest that fares are sufficient to recover reasonable costs. At the mid-point of the reasonable range, fare revenue would appear to be approximately equal to the 2007 costs incorporated by IPART in the TCI (\$200,015).

In response to a suggestion by the ATDA, IPART has compared costs with the revenue estimates included in Table 7.2 on a per kilometre basis. This comparison is shown on Table 7.5. The revenue estimates per kilometre range from \$1.25 to \$1.64.

(This range is in line with ATDA's estimate of revenue per km as at March 2008, which was \$1.60). In comparison, the cost estimates used to calculate the TCI in 2007 imply costs in the range of \$1.14 to \$1.79 per km.

Table 7.5 Costs and revenues on a per kilometre basis, 2007 (including GST)

	High	Low	Mid point
Estimated revenue (\$/km)	1.25	1.64	1.40
Calculated revenue (\$/km)	1.39	1.42	1.38
Estimated cost (\$/km)	1.14	1.79	1.39

Note: High estimates tend to be below low estimates as they are divided by a higher number of kilometres travelled. All figures include GST.

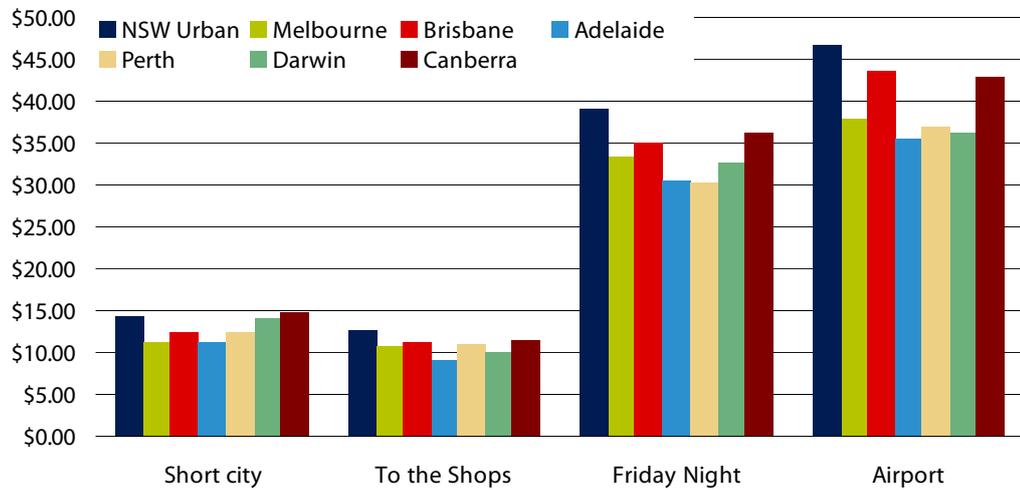
While a number of stakeholders were critical of the operating assumptions used by IPART, the analysis above shows that fares are at a level that is sufficient to compensate the industry for the cost of providing taxi services both under IPART's operating assumptions and under a range of reasonable assumptions put forward by stakeholders.

7.6 Comparison with fares in other states

Finally, IPART compared the current level of fares in NSW with the level of fares in other states for various types of trips. This analysis indicates that the level of fares in NSW is generally above that in other states (Figures 7.1. and 7.2).

IPART notes that although the average length of trips and the road and traffic conditions are likely to differ in different geographical regions, the overall costs of providing taxi services are not likely to be substantially different. Therefore this comparison suggests that the overall level of fare revenue collected in NSW is not out of step with, and certainly not below, revenue collected from fares in other states.

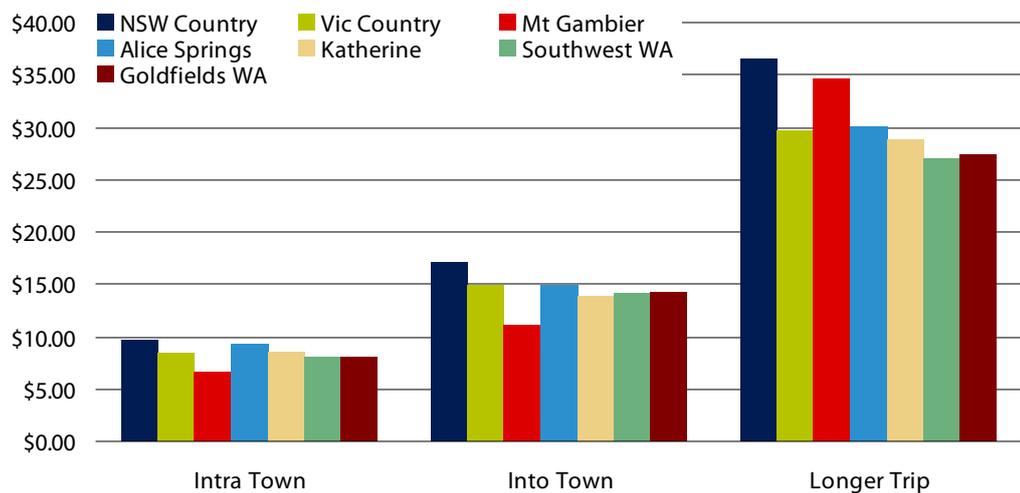
Figure 7.1 Taxi fares for various types of trips in selected capital cities



Note: The short city trip is 2 kilometres long, and involves 10 minutes of waiting time due to heavy traffic congestion. The trip to the shops is phone booked, 4 kilometres long with 1 minute of waiting time. The Friday night trip home is 15 kilometres long and involves 5 minutes of waiting time. Where applicable, it attracts the night-time surcharge. The airport trip is 20 kilometres long, with 8 minutes of waiting time and a phone booking. It excludes airport charges.

Source: Fares obtained from the relevant government agency and/or taxi companies.

Figure 7.2 Taxi fares for various types of trips in selected country areas



Note: The intra town trip is hailed off the street, is 3 kilometres long and involves 1 minute of waiting time. The 'into town' trip is phone booked, is 6 kilometres long and involves 2 minutes of waiting time. The longer trip is phone booked, 15 kilometres long and involves 3 minutes of waiting time.

Source: Fares obtained from the relevant government agency and/or taxi companies.

8 Measures to address volatility in LPG fuel costs

Under the current approach to calculating annual fare recommendations drivers are compensated for the average change in LPG fuel costs to the end of May 2008. Fluctuations in the daily price are incorporated into the average. This approach is also used for changes in other items, such as interest rates, although other costs are only included to the end of March.

At the public hearing on 12 March, the NSW TDA noted that recent sharp increases in the price of LPG meant that taxi drivers were experiencing hardship:

The PwC survey found gas prices last year near the 45 cent a litre mark. Since then, gas prices have soared to 55, 65, 75 cents per litre and for the past two weeks have been at 65 cents per litre and, of course, the drivers are wearing the costs of these outrageous increases.⁸⁶

To address this issue, the NSW TDA asked IPART to consider a \$1 per fare LPG fuel levy. It has also written to the Minister for Transport requesting such a levy and the Minister has written to IPART requesting detailed consideration of this issue as part of the 2008 fare review.

IPART's final findings and recommendations on this issue are summarised below. The subsequent sections explain how LPG prices move and what drives them, the need for additional measures to address the volatility of LPG prices, the options IPART considered and the rationale for its recommendations.

8.1 IPART's findings and recommendations

IPART's finding is that under the current approach to regulating taxi fares, the impact of sharp increases in the cost of LPG fuel (as have been experienced recently) could have a significant effect on drivers' cashflow. While the impact of this has been lessened by the inclusion of LPG price data to the end of May 2008 in the TCI, IPART still considers that an additional measure to address this impact is warranted.

IPART considers that the most appropriate approach is to undertake an additional limited review of LPG fuel costs in December each year. If fuel costs for the 6 months to November each year have varied by more than 10 per cent (up or down) then IPART would recommend that taxi fares be adjusted by the change in the fuel costs.

⁸⁶ Transcript - Review of taxi fares 2008, p 8, line 8-13.

If average fuel costs have changed by less than 10 per cent then there would be no fare change.

In addition, IPART has decided that the cost of the additional meter change should be included in the adjustment. In the event that the 10 per cent threshold is met, IPART will add an additional 3 cents to the required average fare in order to compensate the industry for this cost. This additional amount would apply for six months only and would be removed at the next fare review.

Recommendation

- 3 In addition to the annual review process, the Tribunal should undertake a limited review of LPG fuel costs in December each year.

If the average daily price of LPG for the six months to 30 November 2008 is more than 10 per cent higher or lower than the average daily price of LPG over the 14 months to 31 May 2008, IPART will recommend to the Minister that:

- Maximum taxi fares should be adjusted to reflect the change in the fuel component of the taxi cost index, and this change should be calculated by dividing the average daily price of LPG (as recorded by Fueltrac) for the six months to 30 November by the average daily price of LPG for the 14 months to 31 May.
- \$145 per taxi, representing the cost of the additional meter change, should be recovered through fares if the threshold is met and fares are adjusted. This should be done through adding an increase to the average fare of \$0.03, which should apply for six months only and should be removed at the time of the annual fare adjustment.
- No changes should be made to the components of the taxi cost index other than for LPG fuel and the cost of the meter change.
- Only the distance-based component of taxi fares should be adjusted.

The limited review of LPG fuel should be conducted in December and any fare change should be implemented on 1 January (subject to how quickly meters and stickers can be updated).

These recommendations are broadly consistent with IPART's draft recommendations on this issue but unlike the draft recommendations, IPART's final decision:

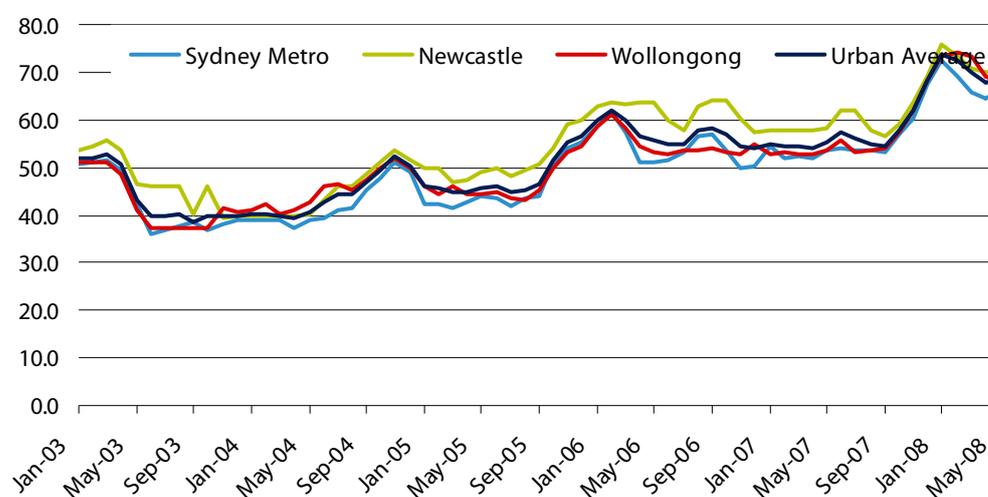
- ▼ reviews LPG prices over the six months to November, as a result of the decision to include LPG prices to the end of the May in the TCI
- ▼ incorporates a process for including the costs associated with the additional meter change, in the event that the threshold is met.

8.2 How LPG prices move and what drives them

The PwC survey found that around 95 per cent of taxis use LPG, with most of the remaining vehicles using diesel. As the TCI captures the movement in costs for a typical taxi, IPART has used LPG prices to determine both the weighting of fuel costs and the fuel cost inflator.

The price of LPG is determined in a competitive market. Figure 8.1 provides a summary of the movement in LPG prices for urban areas over the past 5 years.

Figure 8.1 Movement in LPG prices over the past five years



Data source: Fueltrac.

Local LPG prices are influenced by the prevailing international LPG price level. Local prices also reflect transport and storage costs. According to Australian Liquefied Petroleum Gas Association Ltd⁸⁷:

From September 2007 the crude oil price increased significantly, achieving record highs in January 2008. This increasing international crude oil price had a corresponding impact on the price of other internationally traded liquid fuels such as LPG.

At present, global demand for LPG remains strong as major markets experience the Northern Hemisphere winter. However, demand for LPG as a petrochemical feedstock has moderated during Jan-Feb 2008.

The Victorian Government recently asked the Essential Services Commission (ESC) to review taxi fares and in particular to consider whether fares should be adjusted for changes in the price of LPG. The ESC released its interim report on 19 March and made the following observations regarding LPG prices:

LPG prices were around 40% higher in January 2008 compared to January 2007 and around 20% higher than the previous peak in February 2006. While LPG prices have

⁸⁷ <<http://www.lpgaaustralia.com.au/displaycommon.cfm?an=1&subarticlenbr=10>> March 2008.

spiked in recent months, there are typically peaks in most summer periods, associated with winter heating demand in the northern hemisphere. LPG prices may be expected to ease in the coming months as the northern hemisphere enters the spring season. Overall, lower recent Saudi Aramco contract prices for Propane and Butane (the major components of LPG) and recent futures contract prices on the New York Mercantile Exchange (Nymex) indicate the market expects a combined decrease in LPG prices of 12-13% from their January peak over the coming months.

However, while prices are expected to ease to around 60 cent per litre (cpl) over the period February to June 2008, based on the Nymex futures, they will still be approximately 18% higher than the average for calendar 2007. Between the June quarter 2005 and the December quarter 2007, LPG prices are estimated to have added an additional 3.8% to taxi operator costs⁸⁸.

8.3 The need for additional measures to address the impact of changes in the LPG price

IPART's revised weighting for the LPG fuel cost item in the TCI is 6.9 per cent for urban taxis (compared with the current weighting of 8.35 per cent) and 6.5 per cent for country taxis (compared with the current weighting of 9.12 per cent).

The estimate of LPG fuel costs per taxi per year depends on assumptions about the distance travelled, the fuel consumption of the vehicle and the price of fuel. IPART's revised weighting is based on the annual average daily price over the 12 months to 31 March 2007. The value of this weighting is then increased by the inflator. In order to capture recent price rises and limit their impact on the industry, IPART's final decision is to base the inflator on the annual average daily price of LPG over the 14 months to 31 May 2008.

For urban taxis, the base year for the TCI (2007) uses an LPG price of 53 cents/litre to determine the weighting for fuel in the TCI. To the base weighting, IPART has applied an inflator based on comparing the average daily price for the 12 months to March 2007 with the average daily price of LPG for the 14 months to May 2008. For urban taxis, the average daily price of LPG to 31 May 2008 was 60.0 cents/litre, which results in increases in LPG costs over this period included in the TCI of 14.3 per cent.

This approach means that drivers are compensated for the average change in fuel costs over the 14 months to the end of May 2008. This is the latest data for which LPG price data can be incorporated that still allows IPART to provide its recommendations to the Minister in time for a 1 July fare change. LPG prices after this date will be compensated for at the next fare change.

⁸⁸ Essential Services Commission, *Review of Taxi Fares 2008/08 Interim Report*, March 2008, p 6.

Fluctuations in the daily price are incorporated into the average. IPART considers that this is reasonable when fuel costs change moderately. However, when these costs increase sharply, the lag in 'compensation' may have a significant affect on a driver's cashflow.

Fuel costs represent between 7 to 10 per cent of a typical urban drivers' weekly gross farebox. Based on estimates of taxi revenue calculated by IPART, a typical taxi's gross weekly fares are \$3,838. From this the driver's pay-in and fuel is deducted. Table 8.1 presents a notional weekly cashflow for a typical taxi under different fuel prices (with fare revenue and all other costs held constant).

Table 8.1 Weekly cashflow under different LPG prices (based on 2007 costs, \$ per taxi)

	LPG at 53c/L	LPG at 65c/L	LPG at 75c/L
Weekly fares	3,838	3,838	3,838
Weekly pay-in	1,652	1,652	1,652
Weekly fuel costs	265	325	375
Fares less pay-in and fuel	1,921	1,861	1,811

Note: Based on maximum pay-ins for 2007, IPART's assumptions regarding average the value of the average fare under current fares and 190 paid trips per taxi per week.

8.4 Options for addressing the impact of changes in the LPG price

The main problem created with a sustained rise in LPG prices is the impact of volatile fuel prices on the cashflow of drivers. Although IPART has decided to include the most recent LPG price information available in the TCI, it does not completely address this issue. Ideally LPG price changes could be factored into fares more regularly so that the industry is not required to absorb large price fluctuations. Theoretically this could be done with limited or no involvement from IPART. However, the cost of changing meters prevents regular or automatic adjustments.

In its draft report, IPART considered three other options for addressing LPG price volatility including:

1. the \$1 levy on each fare proposed by the NSW TDA
2. the use of a 'trigger mechanism'
3. undertaking a limited review of only LPG prices part way through the year.

Having assessed each of these options, IPART's draft decision was that undertaking a limited review of LPG fuel prices part way through the year best meets its criteria.

There was a mixed response from stakeholders to this approach. The NSW Taxi Council did not support the draft recommendation, stating that:

- ▼ It may not be possible to fully enforce fare reductions as operators may have an incentive to delay or avoid necessary adjustment until the next regular inspection of the meters calibration, noting that when fares increase there is an incentive for operators to adjust meters as soon as possible.
- ▼ If the fare adjustment is implemented that the fare adjustment should mitigate the costs of operators if possible. Taxi meter changes cost between \$60 and \$150 to implement, the cost of removing, purchasing and fitting fare labels including time off the road and labour is estimated to be around \$40.
- ▼ An alternative method would be to adjust fares using a forecast of fuel prices based on the prices at the time of the fare review. The following annual review would be used to bring fares into line with the realised fuel prices – this approach should remove some of the lag inherent in the current system.
- ▼ In the event that IPART maintains the recommendation, then it is important to retain the 10 per cent price change threshold.

The NSW TDA supported the six monthly review but suggested that the 10 per cent threshold is too high. A taxi driver, Mr Bradley did not support the six monthly review stating that a two times a year meter change is not good for operators and is not a substitute for the \$1 fuel levy. PDCN recommends that the fuel review be expanded to include fuel costs for taxis not only using LPG fuel, as they believe the majority of WAT taxis do not use LPG – the ATDA also supported such an approach. The Tourism and Transport forum noted in principle support for measures that assist drivers with fuel price fluctuations were concerned that a six month review may allow the same fuel increases to be recovered twice. In a late submission, the ATDA supported the Taxi Council’s alternative method of using forecast fuel prices in the TCI.

IPART has reviewed the options from the draft report again, in light of submission comments. IPART has also considered the alternative put forward by the Taxi Council – incorporating price forecasts into the TCI. The options were assessed in terms of their reasonableness as a means of addressing the issue, whether they can be applied in response to both price increases and decreases, cost of implementation, simplicity/transparency and compatibility with the current form of regulation.

IPART’s final decision is that undertaking a limited review of LPG fuel prices part way through the year continues to best meet these criteria. The sections below explain each option in more detail, and why IPART prefers the limited review option.

8.4.1 Incorporating price forecasts into the TCI, as proposed by the Taxi Council

The Taxi Council put forward an alternative option of adjusting fares using a forecast of fuel prices based on the price at the time of the review. To derive a forecast price, the Taxi Council suggested that IPART could look at trends in fuel prices, or another process such as assuming that fuel prices will stay at their average for the most recent month or quarter that is available.

As noted above, it is IPART's view that volatility of fuel prices is the key issue, and the only way to address this in any meaningful way is through more regular fare adjustments. The process suggested by the Taxi Council does not address fuel price volatility as it retains a single fare change based on a single estimate of average LPG prices over the year.

Using forecast fuel prices for 2008/09 together with historical fuel price rises for 2007/08 would result in two years worth of fuel prices being captured in this year's fare change. On IPART's calculations taxi fares are sufficient to recover the costs associated with providing taxi services in 2007 and the fare increases proposed are based on changes in costs since that time, which means that remains the case in 2008. Allowing fares to increase to recover two years worth of fuel costs in 2008 in order to provide additional revenue to the industry as compensation for costs that they may not incur would be inappropriate.

In addition, the use of forecast LPG price information is a short term not a long term solution. In future years the index would be based on only a single year's worth of increase. If the trend in fuel prices is stable then the annual increase in the TCI would be the same if it includes the historical increase as it would be if it uses a forecast increase.

Finally, future LPG prices are uncertain and volatile – this is the reason that IPART is considering additional measures to address only these costs. This makes forecasting LPG prices with any accuracy very difficult and introduces further uncertainty into the fare change process.

For all of the above reasons, IPART does not support the approach put forward by the Taxi Council to use forecast fuel prices in the TCI.

8.4.2 A \$1 levy on each fare, as proposed by the NSWDTA

The NSWDTA proposed that a \$1 levy be imposed on all taxi fares. IPART considers that imposing a fixed dollar amount on all trips, unrelated to the distance travelled, is not an appropriate way to recover costs that are distance-based. In addition, a \$1 levy would over compensate the industry under LPG prices at the level seen recently and is not compatible with the TCI approach.

As NCOSS has pointed out, higher fixed fare components compared with distance components has a disproportionate impact on low-income and less mobile passengers. The proposed fuel levy is likely to have a disproportionate impact on such passengers, who need to use taxis to travel shorter distances, when the costs associated with carrying those passengers is likely to have increased proportionately less than passengers travelling longer distances that require more fuel.

Fuel cost increases to 31 May 2008 are already compensated for in IPART's fare recommendations. However, if a levy was considered for future LPG price increases, a \$1 levy would only be appropriate if the increase in LPG prices was substantially higher than the increases experienced recently. For example, the last column on Table 8.1 (above) shows the estimated cost of fuel per taxi per week if the price of LPG increased to 75 cents per litre (or by around 25 per cent compared to the average price for the 14 months to the end of May 2008). Under such a scenario, IPART calculates that drivers would need to pay an additional \$74 in fuel costs per week. Assuming that a taxi does 190 trips per week⁸⁹, a fuel levy per trip of only around \$0.39 per trip would be sufficient to cover this cost. See Table 8.2.

Table 8.2 Additional cost of fuel per trip under different LPG prices

	LPG at 53c/L	LPG at 65c/L	LPG at 75c/L
LPG cost per week included in recommended fares for 2008	301	301	301
Additional cost of LPG per trip	-0.19	0.12	0.39

In addition, a levy implies that only increases in LPG prices would be addressed. Historically prices have fluctuated both up and down. IPART considers that any mechanism to address uncertain and volatile input prices should be able to operate symmetrically, so that passengers receive the benefit of price reductions.

Finally, if a levy was introduced, adjusting the TCI in the following year to take the levy into account would be extremely difficult. This is because it would not be possible to identify with any certainty how much of the LPG cost increase has already been recovered through fares.

8.4.3 A trigger mechanism

Another option to address LPG price volatility is to use a trigger mechanism which could include a threshold level for the change in the LPG price. If the change in LPG prices experienced exceeded a specified value then a new fare review would be triggered. This option has the benefit of being symmetrical and of allowing IPART to take into account all of the circumstances faced by the industry.

⁸⁹ Based on IPART's assumptions (see Chapters 3 and 7).

This approach would require IPART to identify an appropriate, transparent threshold, and choose a level for this threshold that will only trigger a review when the change in fuel cost is such that it causes a material or potentially fundamental change in market conditions. Subject to an appropriate threshold being specified, this approach has the advantage of being responsive to changes in LPG prices whenever they occur.

This approach would require IPART and/or the industry to monitor movements in fuel prices to determine whether a review is required and it may result in fare changes that are relatively close together, or multiple fare changes within a 12-month period.

Because it is not possible to forecast whether a trigger event will occur or when, this approach is potentially costly. The NSW Taxi Council and the ATDA both argue that the cost of meter changes are significant and must be taken into account in any mechanism used to address fuel price volatility.⁹⁰ IPART considers that this approach is also likely to create too much uncertainty and has the potential to be confusing to passengers.

8.4.4 Six monthly review of fuel costs

The final option to deal with volatility in the costs of LPG fuel is for IPART to undertake a six monthly review of these costs only. IPART prefers this approach, but is nevertheless aware that it may lead to more frequent fare changes which necessarily involve costs. IPART considers that it is appropriate to minimise these costs.

IPART considers that in the interests of regulatory efficiency and cost minimisation any six monthly review should:

- ▼ be mechanistic, predictable and symmetrical
- ▼ only recommend a change in maximum taxi fares where a material change in the cost of LPG has been experienced
- ▼ recommend a change to LPG fuel cost component of the TCI only; all other components should remain unchanged
- ▼ incorporate reasonable costs of the additional meter change into the fare increase
- ▼ recommend that the change be applied to the distance-based component of taxi fares only, as the fuel costs are based on distance travelled.⁹¹

⁹⁰ ATDA submission (supplementary), May 2008, p 1, NSW Taxi Council submission, May 2008, p 13.

⁹¹ This may result in a reset of the waiting time threshold speed.

Materiality threshold

In order to determine an appropriate level of materiality for fuel price changes, IPART has obtained daily prices of LPG for the past 5 years and has used this to calculate average monthly and six monthly LPG prices since January 2003. Since January 2003 the absolute change in average monthly LPG prices in Sydney has been more than 10 per cent 6 times – four of which were downward movements. For other areas of NSW there have been two monthly changes above 10 per cent since January 2005 (see Appendix E).

Tables 8.2 and 8.3 below show the six-monthly changes in LPG prices based on the same data.

Table 8.3 Six monthly fuel changes in Sydney Metropolitan region – 2003-2008

Month	LPG Cost	Change
May-2003	42.1	
November-2003	38.2	-9.3%
May-2004	38.8	1.6%
November-2004	51.0	31.4%
May-2005	43.8	-14.1%
November-2005	54.2	23.7%
May-2006	51.0	-5.9%
November-2006	49.8	-2.4%
May-2007	53.5	7.4%
November-2007	60.5	13.1%
May-2008	66.2	9.4%

Note: May and November data used as they represent the end point and mid-point of data used in the annual taxi fare review.

Source: Fueltrac Data.

Table 8.4 Six monthly fuel changes in the rest of NSW – 2005-2008

Month	LPG Cost	Change
May-2005	53.2	
November-2005	60.0	12.9%
May-2006	63.0	5.0%
November-2006	61.7	-2.2%
May-2007	61.6	-0.1%
November-2007	65.5	6.3%
May-2008	77.8	18.8%

Note: May and November data used as they represent the end point and mid-point of data used in the annual taxi fare review.

Source: Fueltrac Data.

Having reviewed the information available on historical LPG prices, IPART considers that a 10 per cent change in LPG prices over a six monthly period strikes an appropriate balance between minimising the impact of price volatility on drivers' cashflow and minimising the costs associated with frequent fare changes. This change should be measured by comparing the average daily price over the six months to November with the average daily price included in the TCI (for 2008, the 14 months to 31 May).

There have been a number of instances of substantial price reductions as well as price increases. As a result, IPART considers that it is important that the threshold applies to both price increases and price reductions.

Enforceability of fare reductions

In response to the draft report, the Taxi Council was concerned that fare reductions would be difficult to enforce. Given IPART's view that any mechanism to pick up LPG price volatility must be symmetrical, IPART has confirmed the procedures in place for enforcing fare changes.

The Ministry of Transport has advised that the majority of cabs in urban areas have meters that are updated electronically. For these meters, updates are done instantly and the entire fleet of cabs that have these meters are done via a single update sent out from base. For the remaining cabs, meters are updated manually. All cabs with mechanical meters are generally required to attend a meter calibration (carried out by the meter manufacturer, who is accredited to do the adjustment). This generally occurs within one and a half days of the fare change.

Clause 9 (3) to Schedule 2 of the *Passenger Transport Regulation 2007* states that 'The meter must not, at any time, compute or display a fare that exceeds the authorised fare'. In addition, clause 111 (1) states 'The operator of a taxi-cab must not allow the taxi-cab to be driven unless the taxi-cab is fitted with a taxi-meter that complies with the standards for taxi-meters set out in Schedule 2.' A maximum penalty of 10 penalty units (\$1,100) may apply.

Meters are inspected on a quarterly basis for each cab in the Sydney metropolitan area. Inspection dates are known in advance but can occur on any day – inspections are done throughout the year. This inspection is required for both electronic meters and mechanical meters. For meters changed electronically, any failure to implement a fare reduction across the fleet would be identified within one or two days from the fare change date as cabs with those meters come in for inspection. For manual adjustments, individual cabs will be picked up as part of the quarterly inspection.

In addition to the quarterly inspections, the Ministry of Transport has compliance officers that randomly inspect taxis to ensure that they are charging the correct fares, among other things. IPART considers that these officers should be asked to specifically look for cabs that have not had their meters updated if a fare reduction is required.

Having reviewed the Ministry of Transport's enforcement procedures, IPART considers that the risk that any reduction in fares resulting from a symmetrical review of LPG prices would not be made is outweighed by the benefits of including such a mechanism. As a result, IPART has decided to continue to support a six monthly review of LPG prices.

Cost of the additional meter change if the six month adjustment is triggered

IPART considers that it is reasonable to include the cost of an additional meter adjustment in the six monthly fare change, as this would be a one off adjustment that is not already compensated for. IPART also considers that the cost of meter change that will be incorporated should be specified in advance so that a simple adjustment can be applied at the time of the six monthly review, if a fare change is required.

The NSW Taxi Council submits that the cost of a one-off meter change is between \$60 and \$150 (depending on the type of meter) with an additional cost of \$40 to update the in-cab stickers. IPART has decided that the mid-point of meter change costs submitted by the Taxi Council be incorporated into the fare change plus the Taxi Council's cost of updating the sticker proposed by the Taxi Council - \$145 in total. The Ministry of Transport advises that most taxis in urban NSW have meters that can be adjusted at low cost and that the proportion of taxis with these meters rising. As such, IPART considers that this is a conservative estimate of the cost to the industry of an additional meter change.

The increase required to the average fare in order to recover this amount from each taxi is 3 cents under IPART's assumptions regarding the number of shifts operated and trips per shift. (See Table 2.)

Table 8.5 Cost of meter change to be included in automatic adjustment – based on maximum meter change cost of \$145 spread over 6 months

	Urban	Country
Number of trips per shift	19	19 ^a
Number of shifts per year	520	528
Total cost per meter change	\$145	\$145
Cost of meter change per trip	\$0.03	\$0.03

^a IPART has assumed that the number of paid trips per shift is the same for both urban and country areas.

The cost of the meter change has been spread over six months. Fares would be adjusted at the annual price change in order to ensure that the annual change in fares puts the industry in the same position as it would have been had the six monthly meter change not occurred. This means that the \$0.03 would need to be removed from the average fare at the next annual review.

The meter change is a smaller component of the fare adjustment than the change in the LPG price. Even with a reduction in LPG prices that meet but do not exceed the threshold, passengers would see a small fare reduction as a result of the six monthly review.

Review process

IPART's view is that if fuel costs for the 6 months to November have varied by more than 10 per cent (up or down) from the average daily price included in the TCI for 2008 then IPART should recommend that the Minister adjust taxi fares by the change in the fuel costs plus the cost associated with the additional meter change. If average fuel costs have changed by less than 10 per cent then there should be no fare change.

In the event that this threshold is met and fares are changed, IPART considers that:

- ▼ The change in the fuel component should be equal to the average daily price of LPG (as recorded by Fueltrac) for the 6 months to November compared divided by the average daily price for the 14 months to 31 May.
- ▼ No changes should be made to the components of the TCI other than the LPG fuel cost item.
- ▼ The change should be applied to the distance-based component of taxi fares only and should incorporate the cost of the meter change, discussed above.
- ▼ The limited review should be conducted in December with a fare change to be implemented by 1 January (subject to how quickly meters and stickers can be updated).
- ▼ The annual fare change will occur in July and will be applied to calculate the change in fares needed from 1 July of the previous year, as if the six monthly fare change had not occurred. The weighting of costs in the TCI will be updated at the annual fare review.

9 Premium taxi services

Since the mid-1990s, 'premium' taxi services under brands such as Silver Service, Prestige and Diamond have grown in NSW. Unlike wheelchair accessible taxis (WATs), which have been specifically encouraged and regulated, premium taxis are an innovation that has developed through the marketplace. Maximum taxi fares currently apply equally to all taxis in NSW: standard (white) taxis, WATs and premium taxis.

However, past submissions to IPART have suggested that there are higher costs associated with providing premium taxi services compared with the standard service. These premium taxi-specific costs are not necessarily captured by the TCI, which focuses on the costs of a 'typical' taxi. Premium taxis must therefore recover these additional costs through higher levels of utilisation, as a result of higher standards of comfort and driver knowledge.

In past reviews, some industry stakeholders have argued that premium taxi services have higher costs and provide a higher quality of service than standard taxi services and therefore should be able to charge higher fares.

In its Issues Paper for this review, IPART suggested a number of options to address this issue, and sought stakeholder views. It then considered these responses and undertook its own analysis. The section below summarises IPART's findings and recommendations. The subsequent sections explain the considerations and analysis that underpin these findings and recommendations.

9.1 IPART's findings and recommendations

IPART considers that it is appropriate to introduce a differentiated booking fee for premium taxis. However, as an interim measure IPART recommends allowing these taxis to charge a higher booking fee up to a maximum of \$11 (inc GST), for a trial period of 12 months. This trial should be subject to conditions, and its impact should be reviewed at the end of the 12-month period.

This recommendation differs from that included in IPART's draft report in that IPART is recommending a cap on the maximum booking fee as an interim measure. IPART anticipates that the cap could be removed in the future. IPART continues to be of the view that the market should determine what constitutes a premium service

and that passengers must be given the option of choosing a standard service at the regulated booking fee at the time of making a booking.

Recommendation

- 4 Premium taxis should be able to charge a higher booking fee for premium services up to a maximum of \$11 (inc GST) for a trial period of 12 months, subject to the following conditions:
- The higher booking fee should apply only to those passengers that specifically request a premium service.
 - Networks must provide standard services at the regulated booking fee and must notify customers of this option at the time the booking is made.
 - Networks must disclose to the customer at the time of booking the premium booking fee that will apply and the service provided for that fee.
 - Premium taxis must display the booking fee inside the taxi.
 - The higher booking fee should apply only to pre-booked premium taxis. Fares for all taxis hired at a rank or hailed in the street (including premium taxis) would be subject to the regulated maximum fares for determined by the Minister.

An appropriate monitoring regime should be implemented and IPART should review and publicly report on the outcome of the 12-month trial.

9.2 Stakeholder views

IPART considered the possibility of differentiated fares for premium taxis, including:

- ▼ setting a higher regulated fee for premium taxi radio bookings (either specifying the actual or maximum charge)
- ▼ allowing premium taxis to charge an unregulated fee for premium taxi radio bookings.

In their submissions, stakeholders expressed mixed views on the introduction of a premium booking fee. Their main arguments for and against premium booking fees are summarised in Table 9.1.

Table 9.1 Arguments for and against a premium booking fee raised in submissions

Arguments for	Arguments against
<ul style="list-style-type: none"> ▼ Compensates for higher costs ▼ Provides a legal framework for current practices ▼ Increases relative competitiveness of standard taxis ▼ Creates greater incentives for premium taxis that will increase number of these taxis to everyone's benefit 	<ul style="list-style-type: none"> ▼ Leads to higher prices which will affect customers ▼ Potentially reduces availability of standard services ▼ Premium standard should be the minimum standard for all taxis ▼ Its difficult to define premium services

In general, industry stakeholders supported the introduction of a premium booking fee, but preferred different options. Prior to the draft report, the Taxi Council suggested that IPART should set a maximum premium booking fee of \$25, to enable taxis to recover higher costs and provide a legal framework for above-fare negotiation. The ATDA supported unregulated premium booking fees, and suggested that the value of this fee should be negotiated between drivers and passengers. Non-industry stakeholders did not support a premium booking fee and were concerned about the impact on passengers and standards in the industry.

The PwC survey did not provide robust cost information for premium cabs. However, revenue data provided by the ATDA shows that premium service drivers earned almost twice the hourly rate of standard cab drivers.⁹² In its submission, the ATDA noted that premium taxis tend to take marginally fewer trips, but for longer journeys and more paid kilometres. It suggested that on the information available to it, annual fares for premium cabs are around \$280,000 compared with around \$210,000 for standard cabs even though the premium cabs work fewer shifts than the standard cab.⁹³

At the public hearing, the Taxi Council suggested that the current lack of a higher fee for premium service cabs has led to a situation whereby drivers are illegally charging higher fares to customers.⁹⁴ The ATDA supported this view: its submission noted that many drivers negotiate a higher rate for premium bookings and run off-meter.⁹⁵ The Taxi Council suggested that a premium booking fee would provide a legal framework around this activity.⁹⁶

Other submissions raised concerns that customers would be required to pay more for the services they receive and that the level of service provided by standard taxis may fall. For example, the Tourism and Transport Forum (TTF) submitted that the level of service currently provided by taxis in NSW is low, that competition on the basis of service quality without any increase in fares is healthy for the industry, and that an additional fee set for premium taxis would not improve the level of service by standard taxis.⁹⁷ NCOSS' submission raised concerns that growth in the proportion of premium services under a higher fee would affect the affordability of taxi services for low income earners.⁹⁸ NCOSS also suggested higher fees would give incentives to drivers to ignore street hails in favour of premium work, reducing service quality to non-premium users.⁹⁹

⁹² ATDA submission, March 2008, p 40.

⁹³ ATDA submission, March 2008, p 6.

⁹⁴ Mr Peter Ramshaw (NSWTC), IPART Public Hearing Transcript, p 9.

⁹⁵ ATDA submission, March 2008, p 16.

⁹⁶ NSWTC submission, March 2008, p 5.

⁹⁷ TTF submission, March 2008, pp 5-6.

⁹⁸ NCOSS submission, March 2008, p 3.

⁹⁹ NCOSS submission, March 2008, p 3.

9.3 What happens in other states?

IPART investigated whether taxis in other states charge differentiated fares for premium taxi services. It found that higher maximum booking fees for premium taxis are in place in two states: Victoria and Queensland (see Table 9.2).

Table 9.2 Premium taxi charges in Victoria and Queensland

	Definition of premium services	Nature of premium charge	Maximum booking fee for premium taxis
Victoria	Long wheel-base vehicles under 2.5 years old	Booking fee only	\$11 (inc GST)
Queensland	Purchase cost of the vehicle exceeds a specified value	Booking fee only	\$11 (inc GST)

Note: Queensland premium fees apply in urban areas only.

9.4 IPART's preferred approach for allowing premium booking fees

Taking account of stakeholders' comments and what happens in other states, IPART made a draft recommendation to allow an unregulated booking fee for premium services, subject to networks disclosing sufficient information to passengers to allow them to make an informed choice.

One of the main reasons for regulating taxi fares is to protect consumers from the abuse of market power, particularly in the rank and hail markets, where the consumer often has little bargaining power. Passengers should not be obliged to pay extra for a premium taxi, simply because the first cab they hail happens to be a premium taxi.

However, IPART considers that if there were sufficient competition between the networks, it is possible that the market could deliver a competitive price for taxi services in the booking market, without the need for any price regulation. However, IPART does not consider that sufficient competition exists in NSW at present, in either the urban or country markets. Therefore, any differentiated booking fee for premium services should be applied only if the customer specifically requests a premium taxi.

In its draft report, IPART did not support a regulated premium booking fee, as the Taxi Council proposed as it considered that there is insufficient information available to determine the appropriate level for such a fee.

Overall, IPART's proposal to deregulate the booking fee for premium taxis was not strongly supported by stakeholders. While the New South Wales Taxi Council (Taxi Council) supported the draft recommendation and accompanying conditions, its support came with the proviso that the premium booking fee is regulated to a

maximum of \$11, such as is applied in Victoria and Queensland.¹⁰⁰ The Tourism & Transport Forum (TTF) supported a trial of changes to the way premium taxis are booked but expressed reservations about IPART's proposed model, largely on the grounds that there is no certainty for consumers with regards to the amount charged or the service received.¹⁰¹ The TTF also argued that the ever-increasing number of premium taxis on the road demonstrates that there is already sufficient incentive for operators to purchase premium taxis, even without a higher booking fee. The Australian Taxi Drivers' Association (ATDA) considers it unreasonable that the Premium service booking fee is only payable when booked through a network.¹⁰²

The Taxi Council argued that customers understand and expect taxi fares to be regulated. It contends that there is significant risk of abuse of the system if fees are unregulated when passengers have the reasonable expectation that they are protected by regulated taxi fares. It also submitted that there is a risk that unregulated components of fares will create confusion for customers who understand and expect that regardless of which taxi company they call, the fare will be the same. The TTF argues that the lack of any sound basis for the regulated \$11 premium booking fee in Queensland and Victoria is not an adequate reason to completely deregulate the booking fee.

IPART remains of the view that there are no higher costs associated with premium services that cannot be recovered through the improved utilisation achieved by those services. IPART also considers that the market for booked premium services has the potential to work successfully without regulatory intervention for the benefit of passengers. Indeed, stakeholders indicated at the public hearing that this is already occurring, albeit 'illegally'. The fact that passengers and the industry are agreeing on service and price outside of the regulated environment demonstrates that regulation is not keeping pace with the needs of passengers.

IPART considers that regulation is always a second best option to a well functioning market and hence IPART remains of the view that ultimately the booking fee for premium taxis should be deregulated. While this necessarily involves a process of change and uncertainty, that is not a sufficient reason for retaining regulatory intervention where it is not warranted.

However, in response to the concerns raised in submissions, IPART has decided to recommend that the booking fee for premium services be capped at \$11 (including GST) as an interim measure. IPART considers that this approach involves minimal risk for passengers and will be a first step towards encouraging a more competitive, customer focused industry. If such a trial is implemented IPART would like to review the need for this regulated 'maximum' charge in the future.

¹⁰⁰ NSWTC Response to Draft report and Draft recommendations: 2008 review of Taxi Fares in NSW, May 2008, p 14-15.

¹⁰¹ TTF submission to IPART on the Draft Recommendation for Taxi Fares, May 2008, pp 5-6.

¹⁰² ATDA Supplementary Comment on IPART 2008 Draft Report, May 2008.

9.4.1 Minimum information requirements

IPART continues to believe that customer protection is best provided through information, rather than price regulation in this instance. For this reason, IPART's final decision is to retain the conditions specified in the draft report that require the network to disclose the price they will be charged for the premium service and the basis for that charge. Passengers must also be informed that they have the option of booking a standard taxi at the regulated fare. If these conditions are enforced, any passengers that book a premium taxi will be fully informed and willing to pay for a higher quality of service.

IPART considers it unlikely that the introduction of a higher premium booking fees will impact on the price or quality of service for non-premium users. However, given stakeholders' concerns it considers that allowing higher booking fees for premium taxis should be introduced on a trial basis at first, and that the conditions of the trial should include:

- ▼ That networks must provide standard services, either directly or by an agreed off-loading arrangement, at the standard regulated booking fee at no additional cost to passengers. This will ensure that non-premium users will continue to have access to regulated fares.
- ▼ That networks that provide premium services be required to disclose the premium booking fee to callers and the level of service provided (at the time of booking), and give callers the option of a standard service. Dedicated premium networks could divert callers who are not willing to pay an additional premium booking fee to a network that does.
- ▼ That operators of premium cabs be required to display the premium booking fee that will apply, inside the taxi. This measure would go some way towards protecting tourists or others with limited knowledge of the rules applying to the taxi industry in NSW.
- ▼ That the higher booking fee applies only to pre-booked premium taxis. Fares for all taxis hired at a rank or hailed in the street (including premium taxis) are subject to the regulated maximum fares determined by the Minister.

IPART recommends trialling these arrangements for a period of at least 12 months. At the end of this period, IPART could review these arrangements and could recommend re-regulation of the booking fee if necessary or removal of the maximum charge (that is, complete deregulation of the premium booking fee). A monitoring regime would be required to review these arrangements. For example, networks would need to ensure that premium bookings are not included in the reporting of key performance indicators for standard services. IPART would work with the Ministry of Transport to ensure that an appropriate monitoring regime is implemented.

9.4.2 Defining premium services

Narrowly defining premium services discourages innovative services from emerging, for which passengers may be willing to pay a higher price. For example, some passengers may be willing to pay a premium fee for a guaranteed fast response time. The definitions used in Victoria or Queensland are based on the type or cost of the vehicle. Neither takes into account factors that are likely to be more important to passengers, such as cleanliness, comfort, response times or driver standards.

In IPART's view, defining a premium service can be left to market participants. In practice, this would involve the networks offering non-standard services at a higher price and passengers deciding whether they are willing to pay extra for it. While this approach is supported by the Taxi Council, the TTF argued that without defining what constitutes a premium taxi through regulation, passengers may be required to pay a highly elevated booking fee, even if a regular taxi shows up for their booking.

If a passenger that requests a premium service is not satisfied with the quality of service they receive they can, in future, use an alternative network or simply use the standard service. For this reason, IPART considers that there is a strong incentive for premium service providers to differentiate themselves from the standard service. Indeed currently, networks offering premium services place strict standards on the quality of drivers and vehicles. These incentives will be even stronger if they are able to charge a higher booking fee, based on the quality of service.

9.4.3 Impact on quality of service

In relation to the impact on the quality of service standard taxi users receive, IPART notes that a premium booking fee does create an incentive to prioritise premium bookings. It also notes that it is reasonable for passengers that are willing to pay a higher price to receive a higher quality of service: reduced waiting time can be considered part of the higher quality service that those passengers receive. However, IPART considers that this is unlikely to substantially impact on the quality of the service provided to standard taxi users.

In relation to concerns that a premium booking fee might create an incentive for taxis to prioritise premium bookings over street hails, IPART notes that booked taxi trips make up only around 20 per cent of all urban trips. It is unlikely that \$11 is sufficiently high to discourage taxis from accepting street hails. In fact, in the 2005 review, submissions to IPART suggested that a higher (regulated) premium booking fee might mean that four out of five luxury cab bookings are lost.¹⁰³

In addition, IPART notes that the minimum standards of services taxis must provide are regulated. Provided that these standards provide sufficient safeguards to ensure that a standard taxi service is available within a reasonable period of time for passengers who request a standard taxi service at the regulated fare, it should only

¹⁰³ IPART, *Review of Fares for Taxis in NSW*, July 2005, p 10.

be necessary to continue to regulate minimum standards for all taxis. The market can then be left to determine what constitutes a 'premium' service based on customers' willingness to pay for a non-standard taxi service. This places the onus on the service provider to 'sell' their services to passengers and should encourage competition between service providers.

Competition on the basis of quality is good for passengers and should raise overall standards above the minimum in the long run. Nevertheless, the standard of service for passengers of standard taxis should be monitored over the trial period. The Ministry of Transport has advised that network standards will be updated at 1 July of this year for the Sydney, Newcastle, Wollongong and Central Coast operating areas. The introduction of the revised network standards and compliance procedures provides an additional safeguard.

The network standards will require authorised networks to meet minimum performance standards for response times and reliability, as measured by the network key performance indicators, including:

- ▼ response times (the average pick-up time and the percentage of booked taxis arriving in less than 15 minutes, less than 30 minutes and less than 60 minutes)
- ▼ reliability (the percentage of bookings for which no cab was available).

10 Wheelchair accessible taxis

In other public transport industries, the costs associated with complying with accessibility obligations for people with disabilities are generally borne by the industry or service provider in the first instance and can then be ultimately spread across all passengers through higher priced services. The current fare setting process prevents this from happening in the taxi industry, as the costs associated with providing wheelchair accessible taxis (WATs) are excluded from the TCI, which captures the costs of a typical taxi only. However, these costs are mitigated by a number of Government initiatives provided in relation to WATs (such as heavily discounted or free licences), the benefits of which are also excluded from the TCI (for example, fares are based on the licence costs of a standard taxi, not the heavily discounted WAT licence).

In December 2007 the Ministry of Transport introduced a six-month trial incentive payment to drivers of \$8.47 per passenger picked up. The trial incentive payment is currently being funded at no cost to passengers through a levy on operators, (the Taxi Advisory Committee fund).¹⁰⁴ This approach to funding is unlikely to be sustainable. As a result, if the current incentive payment is extended, alternative means of funding may need to be identified. The Government will need to decide what level of incentives is required to ensure appropriate standards of service for users of WATs, and how any incentives should be funded.

As part of this review, IPART considered whether it should recommend including any additional costs associated with WATs in the TCI (and thus in fares). In the Issues Paper, IPART sought stakeholder feedback on two options for funding WAT incentives, including:

- ▼ incorporating the annual estimated cost of providing incentive payments into the TCI
- ▼ increasing taxi fares by a defined amount (such as, an increase in the booking fee or flag-fall) for all passengers.

Under both approaches all passengers would pay higher fares, although the increase may be minimal when spread over all trips, which could be collected from the industry via an increase in the levy on all taxi operators and then transferred to those providing the WAT service.

¹⁰⁴ IPART, *2008 Review of Taxi Fares in NSW – Issues Paper*, February 2008, p 47.

The section below summarises IPART's final decision on this issue. The subsequent sections discuss the analysis that underpins this decision, including IPART's consideration of stakeholder views.

10.1 IPART's final decision and recommendation

IPART's final decision is not to recommend making an allowance for a WAT incentive payment at this stage. The trial incentive payment currently in place has not yet been evaluated and IPART may reconsider the introduction of fare funded incentive payment once the results of this trial are available. This decision represents no change from the draft decision on this issue.

However, IPART recommends to Government that the level of the cap should be increased above \$30 in response to fare increases over the past 10 years.

Recommendation

- 5 The Government should increase the cap on the TTSS subsidy above the current level of \$30 to take account of increases in taxi fares since the cap was last adjusted.

10.2 Costs associated with WATs that are not already recovered

Currently, most of the incentives available in NSW are subsidies aimed at reducing the up-front costs associated with WATs. Some of these subsidies provide significant benefits (for example, heavily subsidised licences). There are also some additional measures to mitigate the more direct cost built in to the current structure through allowing drivers to charge the waiting time rate for the time spent assisting passengers into the taxi. The level of the waiting time rate is more than double the hourly driver labour cost included in the TCI and as a result is likely to provide sufficient compensation for drivers for both loading and unloading passengers.

The PwC survey did not provide enough information to allow IPART to estimate WAT costs. This is partly because WATs make up a small proportion of total taxis in NSW (around 10 per cent), so the number of respondents providing data on WAT costs was not significant.

The ATDA submitted that WATs were up to twice as expensive to operate as a standard taxi.¹⁰⁵ However, the Taxi Council noted that WATs were able to stay on the road for twice as long as standard taxis. Both these stakeholders also claimed that additional costs to drivers constituted reduced numbers of street hails, increased dead running time to pick up passengers and higher fuel costs.¹⁰⁶ However, the Taxi Council noted that the issues are complicated and it is difficult to assess what level of compensation is needed.

¹⁰⁵ ATDA submission, March 2008, p 15.

¹⁰⁶ ATDA submission, March 2008, p 15; NSWTC submission, March 2008, pp 30-31.

The data provided in submissions from the taxi industry suggested that WATs in NSW tend to earn less revenue than standard taxis. The Taxi Council noted that this was not necessarily based on higher costs, but often resulted from other obligations such as regulated changeover times. The Ministry of Transport has advised that it is currently reviewing the changeover conditions for WATs, which were originally established to maintain availability during the afternoon shift change period, to improve rates of double-shifting WATs for improved availability at all times.

10.3 Level of service for WATs

From December 2007, the Commonwealth Disability Standards for Accessible Public Transport require response times for WATs to equal those of standard taxi services. Service standard statistics for urban networks up to 31 March 2008 showed that average response times for bookings made via the Zero200 network were 8.8 minutes, compared with 8.3 minutes on all other networks.¹⁰⁷ Overall in the year to March 2008, the Zero200 network showed an improvement in KPIs compared to the previous year. These improvements are borne out by the fact that the level of service provided by WATs was not the key concern raised by submissions as it has been in previous years.

However, some passengers do not appear to receive an adequate level of service. For example, at the public hearing David Cunningham stated that:

I have used WAT services in the past and my experience has been that the average waiting time for a WAT for me has been around four hours. I am constantly missing from my trips, from my social occasions, or whatever one calls it, because of the transportation issue.¹⁰⁸

Submissions indicated that service standards depend heavily on geographical area. For example, the Physical Disability Council of NSW (PDCN) stated that:

In the metropolitan area, the availability of wheelchair cabs is quoted at 10 per cent and there is some areas of the Sydney metropolitan area that are very well serviced, or better serviced than others, areas such as the city, Lower North Shore, the airport, eastern suburbs, the response time for wheelchair cabs picking up passengers is much better than it has been in the past, but in other areas, such as Liverpool, Campbelltown, Newcastle, on the northern beaches, the response time for wheelchair cabs picking up passengers can be half an hour, an hour.¹⁰⁹

WAT passengers have indicated that to some extent, those with poor levels of service have responded by making private bookings directly with drivers.¹¹⁰

¹⁰⁷ Information provided by the Ministry of Transport, March 2008.

¹⁰⁸ Mr David Cunningham, IPART Public Hearing, 11 March 2008, pp 34-35.

¹⁰⁹ PDCN, IPART Public Hearing, 11 March 2008, p 31.

¹¹⁰ Mr David Cunningham, IPART Public Hearing, 11 March 2008, pp 34-35; PDCN, IPART Public Hearing, p 33.

The Taxi Council submitted that significant delays in WAT pick-ups are unusual and are generally the result of unreasonable demands being made by passengers in wheelchairs.¹¹¹

10.4 The need for additional incentives

The available information on cost and service levels suggests that additional incentives may not be necessary. Service levels have certainly improved for WATs over the past 12 months, and this may have resulted in part from the trial incentive payment. Unfortunately seasonal variability in performance data makes a direct comparison difficult as limited data with the incentive payment in place is available at this stage.

In its submission the ATDA argued that there should be a WAT incentive payment valued at \$25 because drivers not only had to be compensated for higher costs, but also receive an incentive to take WATs bookings. The Taxi Council supported an incentive payment in principle but submitted that the appropriate value cannot be determined until after the results of the current trial are known.¹¹² In response to the draft report, the Taxi Council clarified its position on this issue stating that while it does support incentive payments it does not support payments that are funded through fares due to administrative problems with collecting the additional revenue from drivers.¹¹³ The ATDA also submitted that it is firmly opposed to a fare funded incentive payment for WATs, suggesting that WAT issues should be funded by taxi networks and that the level of the TTSS should be increased.¹¹⁴

In addition, there was not strong support from WAT passengers for the introduction of a permanent incentive payment for drivers funded through fares. In fact, a number of stakeholders did not consider that driver incentive payments are appropriate at all, and particularly if it would raise the general level of fares.

Passengers suggested that demand for WATs is highly price sensitive. Faced with high fares, many people in wheelchairs are forced to reduce the number of taxi trips they make. The Physical Disability Council of NSW (PDCN) suggested that a driver incentive funded through higher fares would reduce the uptake of WATs by the industry because of the lower demand for WAT services.

Only one submission requested IPART to recommend the continuation of an incentive payment after the current trial ceases.¹¹⁵ However, it was not clear whether this submission supported funding the payment through fares or by some other means.

¹¹¹ NSW Taxi Council submission, May 2008, p 15.

¹¹² NSWTC submission, March 2008, p 33.

¹¹³ NSW Taxi Council submission, May 2008, p 15.

¹¹⁴ ATDA submission, May 2008, p 6.

¹¹⁵ Trevor Bradley submission, May 2008.

Given the limited level of stakeholder support for an incentive payment subsidised through fares, and the view put to IPART by stakeholders that poor WAT response times tend to be very localised, IPART does not propose to recommend making an allowance for a WAT incentive payment in its fare recommendations at this stage. Given that the results of the incentive payment trial are not yet available and the full impact of the trial on service outcomes will not be available until next year's fare review. IPART may reconsider the introduction of fare funded incentive payment once the results of the trial are available.

10.5 Other issues related to WATs and transport for passengers with physical disabilities

While the majority of stakeholders do not support additional incentive payments, they raised a number of other concerns that IPART. While these concerns are generally outside the scope of IPART's review, IPART has given each issue some consideration. Specifically, IPART has considered whether it can address concerns raised regarding:

- ▼ the impact of uncertainty regarding renewal of WAT licences on the uptake of WAT licences
- ▼ the subsidy level of the Taxi Transport Subsidy Scheme (TTSS)
- ▼ the potential for concessional or zero booking fees for WATs.

10.5.1 Issues raised in relation to WAT licences

The PDCN stressed the importance of raising the proportion of WATs to standard taxis, and argued for a universally accessible taxi fleet.¹¹⁶ This submission was supported by the Blue Mountains Commuter and Transport Users' Association who also suggested that there should be a minimum percentage of all taxis that are required to be wheelchair accessible.¹¹⁷

Data provided by the Ministry of Transport showed that there was a 25 per cent increase in the number of WAT taxis operating on the Zero200 network over the year to 31 March 2008.¹¹⁸ The proportion of WATs as a percentage of the total taxi fleet in Sydney, Newcastle and Wollongong is now over 8 per cent¹¹⁹ and has increased to 10 per cent of the total taxi fleet in NSW.

Submissions from industry participants argued that the uptake of WAT licences is limited by the current approach to issuing and enforcement. Currently the Ministry of Transport issues WAT licences on a one-year basis so that compliance can be

¹¹⁶ Physical Disability Council of NSW (PDCN) submission, March 2008, p 8.

¹¹⁷ Blue Mountains Commuter and Transport Users Association submission, May 2008, pp 2-3.

¹¹⁸ Information provided by the Ministry of Transport, March 2008.

¹¹⁹ Information provided by the Ministry of Transport, March 2008.

monitored and licences can be revoked if the Ministry is not satisfied that priority is being given to WATs bookings.

Submissions argued that greater clarity regarding the process and criteria that will be used to assess compliance with the regulatory obligations on WAT licences is needed. In fact, the Taxi Council submits that the remaining issues regarding WATs are better dealt with via changes to licensing arrangements.¹²⁰ The Taxi Council put the view that operators and drivers are uncertain about whether they can demonstrate that they have met the regulatory obligations to prioritise passengers in wheelchairs.¹²¹ Both the Taxi Council and ATDA submitted that the current arrangements are a deterrent for prospective WAT licensees, who must invest in expensive wheelchair accessible vehicles and undergo appropriate driver training up-front.¹²² However, it is acknowledged that in order to support the services for which WATs are licensed at significant discounts in licence fees, that there must be an effective enforcement and compliance regime to ensure services are in fact delivered.

This issue is outside the scope of IPART's terms of reference for this review and are a matter of Government policy, so it has not been able to address it. However, as noted in Chapter 2, IPART considers that it may be timely to undertake a comprehensive review of the industry structure and regulations imposed to fully address these types of issues.

10.5.2 The Taxi Transport Subsidy Scheme (TTSS)

The fare relief scheme in place in NSW is funded by the NSW Government and known as the Taxi Transport Subsidy Scheme (TTSS). The TTSS is administered by the Ministry of Transport and provides eligible participants who have a qualifying severe and permanent disability with a 50 per cent subsidy for the metered fare, up to a maximum value of \$30 per trip. There are no limits on the number or purpose of trips undertaken with this subsidy.

Submissions from WATs users strongly urged IPART to consider the impact of fare increases in light of the fact that the TTSS has not been reviewed for a number of years and to recommend to Government that the TTSS rate be increased.¹²³ For example, the Physical Disability Council of NSW asked that the level of the TTSS be immediately reviewed by the Ministry of Transport.¹²⁴

The level of the TTSS subsidy has not changed since 1999, when the cap was increased from \$25 to \$30. Over this time, taxi fares in NSW have increased by

¹²⁰ NSW Taxi Council submission, May 2008, p 16.

¹²¹ NSWTC submission, March 2008, pp 29-30.

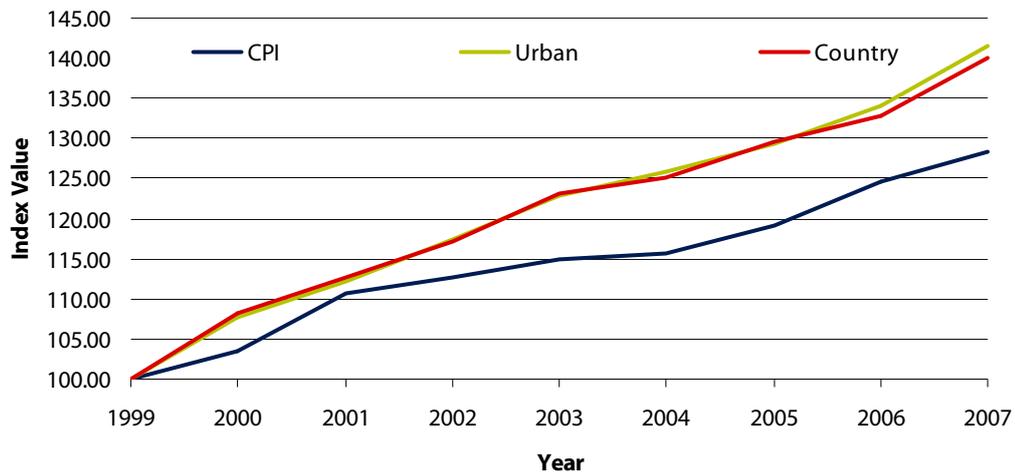
¹²² NSWTC submission March 2008, p 29; ATDA submission, March 2008, p 16.

¹²³ PDCN submission, March 2008, pp 8-9; Mr Bob Douglas submission, February 2008, p 1; Mr Greg Killeen submission, March 2008, p 2; Mr David Cunningham submission, February 2008, p 1.

¹²⁴ PDCN submission, May 2008, p 8.

slightly more than 40 per cent in both urban and country areas. The increase in the CPI has been around 28 per cent over the same period (see Figure 10.1 below).

Figure 10.1 Index of fare increases for taxis since 1999



Data source: IPART Reports and ABS Data.

There was a strong message in submissions that WATs passengers, who tend to be on fixed incomes, are struggling as a result of the large real increase in taxi fares.¹²⁵ The PDCN submitted that the average trip for people in wheelchairs is longer than for able bodied passengers, implying higher fares.¹²⁶ Submissions also noted that a lack of access to other public transport means that mobility impaired passengers have limited alternatives.¹²⁷

There was also concern in submissions that increases to the cap on the subsidy alone may not address the real concerns of passengers. This attitude was reflected by stakeholders in statements made at the IPART public hearing.¹²⁸ Stakeholders suggested that consideration should be given to increasing the percentage rebate offered by the TTSS from the current 50 per cent¹²⁹ to ensure that the TTSS adequately takes into account the impact of fare increases of the last 10 years. Stakeholders also argued that a higher subsidy would be likely to encourage passengers in wheelchairs to make more taxi trips, and that the higher utilisation of WATs services may also have a flow-on effect on service levels by encouraging greater up-take of WAT licences.¹³⁰

¹²⁵ Mr Bob Douglas submission, February 2008, p 1; PDCN submission, March 2008, pp 8-9; NCOSS submission, March 2008, p 1.

¹²⁶ PDCN, IPART Public Hearing, 11 March 2008, pp 31-33.

¹²⁷ PDCN submission, March 2008, p 6; PDCN, IPART Public Hearing, 11 March 2008, pp 31-33; Mr Greg Killeen, IPART Public Hearing, 11 March 2008, pp 36-37.

¹²⁸ Mr Greg Killeen, IPART Public Hearing, 11 March 2008, pp 39-40.

¹²⁹ PDCN submission, March 2008, pp 8-9; Mr Greg Killeen submission, March 2008, p 2; Mr Greg Killeen, IPART Public Hearing, 11 March 2008, pp 37-38.

¹³⁰ PDCN, IPART Public Hearing, 11 March 2008, pp 31-33.

The TTSS subsidy in NSW is comparable to similar subsidies in other states, in particular to Queensland and Victoria, in terms of both the level of the cap and the percentage of fare rebated to passengers. However, as noted in Chapter 7, NSW taxi fares do tend to be higher than those in other states. Table 10.1 sets out the assistance measures in other states.

Table 10.1 Comparison of assistance measures across Australia

	Percentage of fare	Level of cap
New South Wales	50%	\$30
Tasmania	60%	\$30
Victoria	50%	\$30
Queensland	50%	\$20

Source: IPART, *2008 Review of Taxi Fares in NSW – Issues Paper*, February 2008, pp 32-42.

While the level of the TTSS is a matter for Government and is outside IPART's terms of reference, the issues raised in submissions are important. IPART has been advised that the Ministry of Transport is currently reviewing the TTSS and the administrative arrangements surrounding it. In light of the recent increases in taxi fares IPART recommends that an increase in the level of the cap taking into account the increase in fares since 1999.

10.5.3 Concessional or zero booking fees for WATs

Since WATs passengers find it difficult to hail a WAT or any taxi, they are subjected to a booking fee each time they wish to travel.¹³¹ Individual submissions highlighted concerns that the effects of paying for tolls, booking fees and surcharges on credit use were tough on fixed income earners.¹³²

Submissions proposed an alternative option to making travel more affordable for WATs passengers – eliminating tolls, surcharges and booking fees altogether for WATs passengers.¹³³ To cover the costs of providing these services from fares, the booking fee for non-WAT passengers would need to increase.

IPART considers that removing the WAT booking fee and raising the non-WAT booking fee is likely to lower the incentive to WAT drivers to pick up passengers in wheelchairs compared with other passengers. This would be an unsatisfactory outcome. Transferring the WAT-related booking fee to drivers/operators undertaking WAT work would also have administrative costs as there is currently no system set up to do this. For these reasons, IPART does not support providing passengers in wheelchairs with an exemption from tolls, booking fees or surcharges as a means of alleviating the impact of fare increases.

¹³¹ PDCN submission, March 2008, p 6.

¹³² PDCN submission, March 2008, p 6; Mr David Cunningham, IPART Public Hearing, 11 March 2008, pp 34-35.

¹³³ Mr David Cunningham, IPART Public Hearing, 11 March 2008, pp 34-35.



Appendices

A Terms of Reference

I, Bob Carr, Premier, approve, under Section 9(1)(b) of the Independent Pricing and Regulatory Tribunal Act 1992, the Tribunal entering into an arrangement with the Minister for Transport to investigate and report on the prices for taxi services regulated under the Passenger Transport Act 1990. A final report is to be provided to the Minister for Transport by June each year.

In conducting this investigation, the Tribunal should consider:

- i) the cost of providing the services concerned;
- ii) the protection of consumers from abuses of monopoly power in terms prices, pricing policies and standards of service;
- iii) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers;
- iv) the impact on pricing policies of borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets;
- v) the need to maintain ecologically sustainable development;
- vi) the social impact of the recommendations;
- vii) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise and any suggested or actual changes to those standards as notified to the Tribunal by the Minister for Transport); and
- viii) the effect of any pricing recommendation on the level of Government funding.

In conducting the investigation the Tribunal may consult with the Taxi Council and the relevant unions by arrangement with the Ministry of Transport.

B Public consultation and list of submissions

A list of the submissions received for the issues paper and draft report and the participants at the public hearing held on 11 March 2008 are summarised in the following tables.

Table B.1 List of submissions received in response to the issues paper

Submitter	Date received
David Cunningham	8 February 2008
Council of Social Services of New South Wales	29 February 2008
Australian Taxi Drivers Association	4 March 2008
Paul Fletcher	4 March 2008
Greg Killeen	4 March 2008
New South Wales Taxi Council	4 March 2008
Tourism and Transport Forum	4 March 2008
Bob Douglas	6 March 2008
Physical Disability Council of New South Wales	7 March 2008
New South Wales Taxi Drivers Association	20 March 2008
Wayne Geddes	25 March 2008

Table B.2 Stakeholders that presented at the public hearing held on 11 March 2008

Speaker	Organisation
Peter Ramshaw	New South Wales Taxi Council
Ted Hirsch	New South Wales Taxi Drivers Association
Michael Jools	Australian Taxi Drivers Association
Jordana Goodman	Physical Disability Council of New South Wales
David Cunningham	Individual
Greg Killeen	Individual

Table B.3 List of submissions received in response to the draft report (due 16 May 2008)

Submitter	Date received
Ross Nelson	14 May 2008
Adrian Neylan	14 May 2008
Greg Killeen	14 May 2008
Mike Hatrick	15 May 2008
Paul Fletcher	15 May 2008
Tourism and Transport Forum	15 May 2008
New South Wales Taxi Council	16 May 2008
Australian Taxi Drivers Association	16 May 2008
Trevor Bradley	16 May 2008
Blue Mountains Commuter & Transport Users Association	16 May 2008
New South Wales Taxi Drivers Association	22 May 2008 (extension provided)

Table B.4 List of submissions received in response to the draft report after due date

Submitter	Date received
Australian Taxi Drivers Association (supplementary)	23 May 2008
Trevor Bradley (supplementary)	25 May 2008
The Austaxi Group	30 May 2008
New South Wales Taxi Drivers Association (supplementary)	30 May 2008
Trevor Bradley (further supplementary)	3 June 2008

Note: IPART was not able to fully consider the above in its recommendations due to late receipt of these submissions.

C Productivity growth in the economy

In previous fare reviews, IPART has looked at productivity trends in the broader economy and then made a conservative estimate of productivity growth achievable in the taxi industry. A range of productivity measures published by the ABS are shown in Table C.1.

Table C.1 Annual measure of productivity growth

	2002/03	2003/04	2004/05	2005/06	2006/07	5 year avg
	%	%	%	%	%	%
Gross value added per hour worked						
▼ Transport & storage	6.2	-2.1	2.5	2.0	4.1	2.5
▼ All industries	0.5	2.1	0.5	1.2	0.7	1.0
Market sector productivity						
▼ Labour productivity per hour worked	1.7	3.0	0.3	2.5	0.4	1.6
▼ Labour productivity per hour worked (quality adjusted)	1.5	3.0	0.1	2.5	0.2	1.5
▼ Capital productivity	-0.1	-0.1	-1.5	-2.6	-1.9	-1.2
▼ Multifactor productivity per hour worked	0.9	1.7	-0.5	0.2	-0.6	0.3
▼ Multifactor productivity per hour worked (quality adjusted)	0.8	1.7	-0.6	0.2	-0.7	0.3

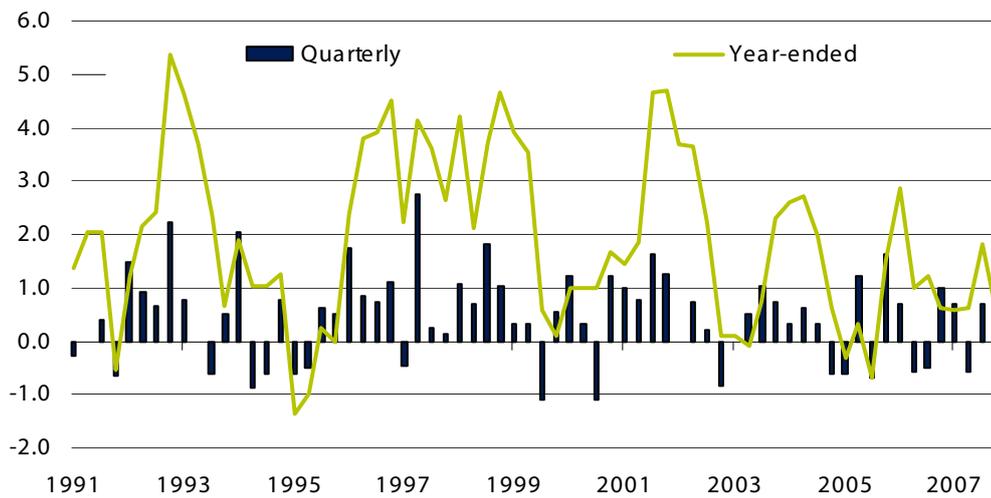
Source: Australian Bureau of Statistics, Catalogue 5204.0, Australian System of National Accounts 2006-07.

Growth in labour productivity appears to have slowed in 2006/07. Growth in gross value-added per hour worked eased to 0.7 per cent, while labour productivity in the market sector slowed to 0.4 per cent. However against this trend, gross value added per hour worked in the transport industry increased to 4.1 per cent in 2006/07, well above the five year average.

Quarterly productivity measures (shown in Figure C.1) also point to slowing productivity growth at the aggregate level. GDP per hour worked fell by 0.3 per cent in the December quarter and was only 0.5 per cent higher over the year. In the market sector, GDP per hour worked also fell by 0.3 per cent in the quarter and was flat over the year. In the year average terms, GDP per hour worked increased by

0.7 per cent in 2007, compared with 1.2 per cent in 2006. In the market sector, GDP per hour worked increased by 0.6 per cent in 2007, compared with 2.5 per cent in 2006.¹³⁴

Figure C.1 GDP per hour worked, percentage change



Data source : ABS Catalogue 5206.0, Table 1.

¹³⁴ Australian Bureau of Statistics, *Australian National Accounts: National Income, expenditure and product*, 5206.0, December 2007, pp 20-21.

D Service standards and KPIs

IPART has used data on network performance provided by the Ministry of Transport for the 12 months to 31 March 2008 to investigate taxi service standards; consistent with the time period applied for the costs measured by the TCI. Information in the draft report was based on the latest data available at the time it was released: 12 months to January 2008 for Customer Feedback and 12 months to December 2007 for the Key Performance Indicators (KPIs).

As the information used in the draft report and the updated information substantially overlap, the results are broadly consistent with the service standards reported in the draft report. The data indicates a mixed result in overall service standards over the period reviewed, but a significant improvement in wheelchair accessible taxi service. For the 12 months to 31 March 2008, compared with the preceding 12 months, these results include:

- ▼ a decrease in complaints of 1.7 per cent
- ▼ a decrease in compliments of 5.3 per cent
- ▼ a slight deterioration in network performance as measured by KPIs
- ▼ an improvement in Zero200¹³⁵ KPIs.

D.1 Customer feedback – urban taxis

Complaints and compliments regarding taxi services are recorded by the Ministry of Transport's Customer Feedback Management System (CFMS). For the year to March 2008, CFMS data showed an overall decrease in complaints and a decrease in compliments compared with the same period of 2007.

Total recorded complaints of 7,394 were measured for 2008, slightly below the 7,524 recorded in the year ending March 2007, a reduction of 1.7 per cent. Despite the decrease in complaints overall, the most common complaints from the 2007 review increased in 2008 (see table D.2). Over the same time period compliments decreased from 545 to 516, a reduction of 5.3 per cent.

Tables D.1 and D.2 below show a summary of the changes in complaints and compliments received.

¹³⁵ The Zero200 network provides radio booking services for WATs.

Table D.1 Summary of complaints and compliments to March 2008 compared to the previous year for urban taxis

	Year to Mar 2007	Year to Mar 2008	Change
Complaints	7,524	7,394	-1.7%
Driver	5,321	5,228	-1.7%
▼ Serious	134	141	+5.2%
▼ Other	5,187	5,087	-1.9%
Fares	1,159	1,271	+9.7%
Network	790	694	-12.2%
Taxi	254	201	-20.9%
Compliments	545	516	-5.3%

Note: Fares complaints are complaints concerning fares charged, network complaints are complaints concerning radio bookings and pickups, taxi complaints concern the state of the vehicle.

Serious complaints consist of assault, driving under the influence of drugs and alcohol, improper use of an authority card, operate or drive without authority, refusal of a guide dog, sexual harassment and TTSS fraud.

Source: Ministry of Transport.

Table D.2 Summary of the most common complaints to March 2008 compared with the previous year for urban taxis

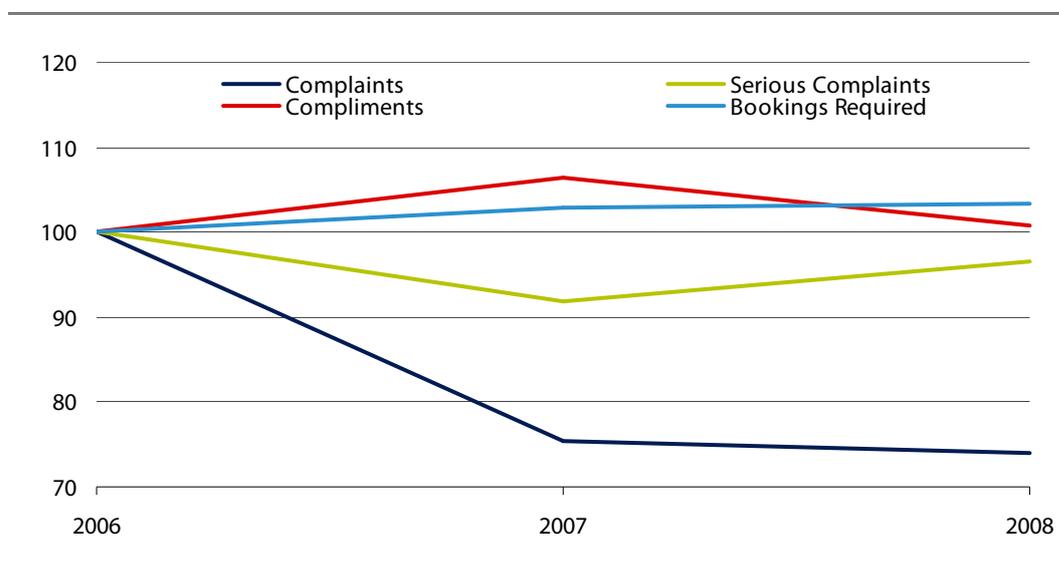
Complaint	2007	2008	Change
Demanding more/other than prescribed fare	987	1,095	+10.9%
Driving in an unsafe manner	785	825	+5.1%
Rude to customer – incivility or impropriety	764	726	-5.0%
Refusal of a fare/hire when “for hire”	691	678	-1.9%
Failure to provide reasonable assistance to customer	466	598	+28.3%

Source: Ministry of Transport.

To put this data in context, using IPART’s assumptions on the number of trips completed per year per taxi (see Chapters 3 and 7) suggests that complaints are made for a very small proportion of trips – around 0.01 per cent or 1 in every 6,839 trips.¹³⁶

IPART has also reviewed the change in complaints and compliments relative to changes in overall bookings required. This information shows that, over the past two years, the total number of complaints has fallen significantly, whilst bookings required has steadily increased. This information is presented in Figure D.1 below.

¹³⁶ Source: CFMS data on complaints and KPI data on taxi numbers.

Figure D.1 Index of changes in complaints, compliments and bookings required 2006-2008

Note: Complete data prior to 2006 is not available.

Data source: CFMS and KPI data.

D.2 Key performance indicators – urban taxis

Standards of performance required of taxi networks are set out in the Ministry of Transport's Interim Standards for Authorised Taxi-Service Communication Networks. New standards will come into force on 1 July 2008. Performance requirements under the current standards relate to operations, telephone answering standards, delivery standards and customer services.

Networks are required to maintain performance standards to the following level:

- ▼ 90 per cent of calls are to be connected to the booking service immediately and of this 90 per cent, 70 per cent are to be answered within one minute and 90 per cent are to be answered within two minutes
- ▼ in 85 per cent of cases a taxi is to arrive within 15 minutes of booking being made, in 98 per cent of cases a taxi is to arrive within 30 minutes of booking being made and in 100 per cent of cases a taxi is to arrive within 60 minutes of booking being made.

The number of taxis operating on the networks increased by 2.4 per cent, which was greater than the increase in the number of bookings. Nevertheless, comments gathered as part of the TTF survey of members (February 2008) raised concern over the availability of taxis in Sydney. In particular, weekday afternoons, Friday evenings, major events and early mornings (after 1 am) were raised as times where taxi availability was of concern.

Overall the KPI data provided by the Ministry shows a slight decline in performance compared with the previous year. In the year to March 2008, 93.3 per cent of phone calls were answered within one minute and 97.6 per cent were answered within two minutes. Both results are within the above requirements but represent a slight decline in performance from the previous year where 94.7 per cent of calls were answered within one minute and 98.2 per cent within two minutes.

In the same period, 91.4 per cent of taxis arrived within 15 minutes of a booking being made, 99.0 per cent arrived within 30 minutes and 99.98 per cent arrived within 60 minutes. These results also represent a slight deterioration in performance since the previous year, where 92.2 per cent of taxis arrived within 15 minutes, 99.2 per cent within 30 minutes and 99.99 per cent within 60 minutes.

The KPI performance data collected is fairly detailed and not all of the data relates directly to the level of service experienced by passengers. An explanation of the individual KPIs, as well as a complete set of the KPI data reported, is provided at the end of this appendix. Tables D.3 and D.4 below summarise network performance against the KPIs that are more relevant to passenger experience.

Table D.3 Changes in performance measures between review periods

Measure	2007 Review	2008 Review	Change
Number of bookings required (000)	13,259	13,330	0.5%
Total pickups (000)	9,415	9,357	-0.6%
Total pickups as a proportion of bookings required	71%	70%	-1.2%
Number of taxis operating on the network ^a	5,000	5,118	2.4%

^a Average monthly result.

Source Ministry of Transport data.

Table D.4 Pick-up times as a proportion of total pickups made and total bookings required

	< 15 minutes	15-30 minutes	30-60 minutes	>60 minutes	Other
Total pickups made	91.4%	7.6%	1.0%	0.0%	n/a
Bookings required	64.1%	5.3%	0.7%	0.0%	29.8%

Source: Ministry of Transport Data.

Table D.4 shows that as a proportion of bookings picked up the targets for pick-up times (discussed above) were met. However, the number of pick-ups recorded is substantially below the number of bookings required. As part of its submission, the ATDA noted that, if these bookings are taken into account, the number of pickups

which occur within fifteen minutes of a call being answered is substantially below the level reported in the draft report.

While the ATDA submits that the difference is a result of poor network performance, there may be a number of different factors contributing to this. For example, other information suggests that many passengers do not show up for bookings they make. There may be a number of reasons for this that are outside of the control of the industry.

D.3 Zero200 key performance indicators

The Zero200 network is the booking network for wheelchair accessible taxis (WATs). The Ministry of Transport maintains KPIs for WATs separately to those of other networks. In comparison to 2006/07, the Zero200 network showed a significant improvement in KPIs.

An explanation of the individual KPIs, as well as a complete set of the KPI data reported, is provided at the end of this appendix. Table D.5 below summarises the KPIs which are more relevant to passenger experience. These measures suggest a vast improvement in performance in the past year.

This may have been in part due to the 25 per cent increase in WATs operating on the Zero200 network although the impact of this is likely to be offset slightly by the substantial increase in the number of bookings required. It may also be a result of the introduction of a trial incentive payment of \$8.47 paid to drivers for each WATs passenger picked up.

Table D.5 Changes in performance measures between review periods

Measure	2007 review period	2008 review period	Change
Number of bookings required	107,332	120,380	12.2%
Total pick ups in:			
less than 15 minutes (000)	66.7	81.8	+22.6%
between 15 and 30 minutes (000)	19.2	18.1	-5.8%
between 30 and 60 minutes (000)	7.3	4.6	-37.1%
greater than 60 minutes (000)	0.9	0.5	-46.2%
Total Pickups (000)	94.1	104.9	+11.5%
Total pickups/bookings required	88%	87%	-0.6%
Number of taxis operating on the network ^a	346	433	25.1%

^a Average monthly result.

Source: Ministry of Transport data.

Table D.7 Comparison of KPIs between review periods – urban networks (excluding Zero200)

KPI	2007 Review	2008 Review	Change
KPI 1: Number of bookings required (000,000)	13.3	13.3	+0.5%
KPI 2: Number of rejections (000,000)	33.3	35.6	+6.9%
KPI 3: Number of jobs accepted by taxi drivers (000,000)	10.7	10.7	-0.1%
KPI 4: Average pick up time (minutes) ^a	7.5	8.3	+10.4%
KPI 5: Total number of M3's (passenger no shows) (000)	1,120.0	1,185.4	+5.8%
KPI 6: Average acceptance time (minutes) ^a	3.8	2.7	-8.0%
KPI 7: Number of ring-backs (000)	619.6	683.2	+10.3%
KPI 8: Number of advance bookings	12,638	42,596	+237.0%
KPI 9: Number of taxis operating on the network (monthly average)	5,000	5,118	+2.4%
KPI 10: Number of phone calls received (000,000)	13.1	13.2	+0.5%
KPI 11: Number of calls answered;			
within one minute (000,000)	12.4	12.3	-1.1%
between one and two minutes (000,000)	0.5	0.6	+20.9%
after two minutes (000,000)	0.2	0.3	+37.6%
Average answering time (seconds) ^a	16.7	16.0	-4.5%
KPI 12: Average number of radio jobs completed per taxi	1,883	1,828	-2.9%
KPI 13: Pick up in;			
less than 15 minutes (000)	8,685.1	8,549.7	-1.6%
between 15 and 30 minutes (000)	653.9	709.3	+8.5%
between 30 and 60 minutes (000)	75.2	96.6	+28.4%
greater than 60 minutes (000)	1.2	1.8	+58.4%
Total Pickups (000)	9,415.4	9,357.4	-0.6%
KPI 14: Number of bookings;			
offloaded to other networks (000)	2,098.8	2,235.9	6.5%
offloaded and returned (000)	172.3	203.4	+18.1%
successfully offloaded (000)	1,926.1	2,032.3	+5.5%
KPI 15: Number of bookings for which no cab was available (000)	199.8	236.9	+18.6%
KPI 16: Average number of taxis signed on at			
9 am ^a	3,364	3,281	-2.5%
9 pm ^a	3,494	3,452	-1.2%

^a KPI 4,6,11 and 16 show the mean of the monthly average results.

Source: Ministry of Transport.

Table D.8 Comparison of KPIs between review periods (Zero200)

KPI	2007 Review	2008 Review	Change
KPI 1: Number of bookings required (000)	107.3	120.4	+12.2%
KPI 2: Number of rejections (000)	82.3	73.6	-10.6%
KPI 3: Number of jobs accepted by taxi drivers (000)	95.0	105.8	+11.4%
KPI 4: Average pick up time (minutes) ^a	11.3	8.8	-22.6%
KPI 5: Total number of M3's (passenger no shows)	856	888	+3.7%
KPI 6: Average acceptance time (minutes) ^a	6.7	3.6	-46.0%
KPI 7: Number of ring-backs	2,133	1,252	-41.3%
KPI 8: Number of advance bookings	0	0	n/a
KPI 9: Number of taxis operating on the network (monthly average)	346	433	+25.1%
KPI 10: Number of phone calls received (000)	98.3	105.9	+7.7%
KPI 11: Number of calls answered;			
within one minute (000)	86.6	96.7	+11.6%
between one and two minutes (000)	6.8	6.1	-11.4%
after two minutes (000)	4.9	3.2	-35.0%
Average answering time (seconds) ^a	30.3	26.2	-13.5%
KPI 12: Average number of radio jobs completed per taxi	279	241	-13.6%
KPI 13: Pick up in;			
less than 15 minutes (000)	66.7	81.8	+22.6%
between 15 and 30 minutes (000)	19.2	18.1	-5.8%
between 30 and 60 minutes (000)	7.3	4.6	-37.1%
greater than 60 minutes (000)	0.9	0.5	-46.2%
Total Pickups (000)	94.1	104.9	+11.5%
KPI 15: Number of bookings for which no cab was available (000)	0	0	n/a
KPI 16: Average number of taxis signed on at			
8 am ^a	125	163	+30.4%
4 pm ^a	203	281	+38.6%

^a KPI 4,6,11 and 16 show the mean of the monthly average results.

Note: Zero200 KPIs do not measure bookings offloaded as Zero200 handles all WATs bookings.

Source: Ministry of Transport.

E Monthly changes in LPG prices

Table E.1 Monthly fuel changes in Sydney Metropolitan region – January 2003 to March 2008

Month	LPG Cost	Change
January-2003	50.8	
February-2003	51.1	0.50%
March-2003	51.7	1.30%
April-2003	49.4	-4.49%
May-2003	42.1	-14.78%
June-2003	36.2	-14.01%
July-2003	36.8	1.66%
August-2003	37.7	2.45%
September-2003	38.6	2.39%
October-2003	36.8	-4.66%
November-2003	38.2	3.80%
December-2003	38.9	1.83%
January-2004	39.1	0.51%
February-2004	38.8	-0.77%
March-2004	38.9	0.26%
April-2004	37.2	-4.37%
May-2004	38.8	4.30%
June-2004	39.4	1.55%
July-2004	40.9	3.81%
August-2004	41.5	1.47%
September-2004	45.2	8.92%
October-2004	47.6	5.31%
November-2004	51.0	7.14%
December-2004	49.0	-3.92%
January-2005	42.1	-14.08%
February-2005	42.5	0.95%
March-2005	41.5	-2.35%
April-2005	42.8	3.13%
May-2005	43.8	2.34%
June-2005	43.4	-0.91%

Month	LPG Cost	Change
July-2005	42.0	-3.23%
August-2005	43.5	3.57%
September-2005	44.1	1.38%
October-2005	51.2	16.10%
November-2005	54.2	5.86%
December-2005	55.2	1.85%
January-2006	58.7	6.34%
February-2006	61.6	4.94%
March-2006	57.5	-6.66%
April-2006	51.3	-10.78%
May-2006	51.0	-0.58%
June-2006	51.5	0.98%
July-2006	53.2	3.30%
August-2006	56.6	6.39%
September-2006	57.1	0.88%
October-2006	53.6	-6.13%
November-2006	49.8	-7.09%
December-2006	50.3	1.00%
January-2007	54.4	8.15%
February-2007	51.9	-4.60%
March-2007	52.2	0.58%
April-2007	51.9	-0.57%
May-2007	53.5	3.08%
June-2007	54.2	1.31%
July-2007	53.7	-0.92%
August-2007	53.6	-0.19%
September-2007	53.3	-0.56%
October-2007	57.0	6.94%
November-2007	60.5	6.14%
December-2007	67.5	11.57%
January-2008	72.3	7.11%
February-2008	69.2	-4.29%
March-2008	65.7	-5.06%
April-2008	64.7	-1.52%
May-2008	66.2	2.32%

Source: Fueltrac Data.

Table E.2 Monthly fuel changes in the rest of NSW January 2005 to March 2008

Month	LPG Cost	Change
January-2005	53.7	
February-2005	53.2	-0.80%
March-2005	52.2	-1.87%
April-2005	53.0	1.37%
May-2005	53.2	0.36%
June-2005	53.1	-0.03%
July-2005	53.2	0.19%
August-2005	52.9	-0.63%
September-2005	53.8	1.67%
October-2005	55.5	3.17%
November-2005	60.0	8.14%
December-2005	60.8	1.32%
January-2006	62.6	3.01%
February-2006	66.1	5.58%
March-2006	66.2	0.13%
April-2006	63.9	-3.56%
May-2006	63.0	-1.33%
June-2006	62.7	-0.57%
July-2006	62.6	-0.08%
August-2006	63.7	1.70%
September-2006	63.8	0.17%
October-2006	63.0	-1.27%
November-2006	61.7	-2.08%
December-2006	60.8	-1.32%
January-2007	62.2	2.30%
February-2007	62.3	0.11%
March-2007	61.9	-0.61%
April-2007	61.5	-0.67%
May-2007	61.6	0.15%
June-2007	62.1	0.81%
July-2007	62.0	-0.20%
August-2007	61.6	-0.59%
September-2007	61.7	0.16%
October-2007	62.8	1.82%
November-2007	65.5	4.18%
December-2007	72.2	10.27%
January-2008	77.1	6.76%
February-2008	76.8	-0.34%
March-2008	76.2	-0.79%
April-2008	77.4	1.59%

May-2008	77.8	0.45%
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Source: Fueltrac data.

Glossary

ATDA	Australian Taxi Drivers Association.
Bailment system	The method by which drivers and operators provide taxi services and share taxi revenue. For urban taxis in NSW this arrangement is governed by the Taxi Industry (Contract Drivers) Contract Determination 1984.
Booking fee	Fare component charged for booking a taxi through a taxi network.
CFMS	Customer Feedback Management System. Records all complaints and compliments logged by passengers through the taxi companies, Transport Infoline or the Ministry of Transport's Transport Operations Division.
Contract Determination	The Taxi Industry (Contract Drivers) Contract Determination 1984. Determined by the IRC, this determination governs the terms and conditions of bailment for urban taxis in NSW.
CPI	Consumer Price Index. Price index measuring the cost of goods purchased by households. Compiled by the Australian Bureau of Statistics.
Dead running	Distance covered by a taxi travelling without a passenger.
Dead time	Time spent without a passenger in the taxi.
Distance rate/Tariff I	Fare component charged for distance travelled. In areas under the country fare scale this component is charged for the first 12km only.
Flag fall	Fixed charge of the fare component that is charged on every taxi trip.
GDP	Gross domestic product. GDP is a measure of national output.
Holiday surcharge	Fare component charged on Sundays and public holidays for areas under the country fare scale. Calculated as a percentage mark-up on the distance rate.

IPART	Independent Pricing and Regulatory Tribunal. Provides fare recommendations to the Minister for Transport on an annual basis.
IRC	New South Wales Industrial Relations Commission. The IRC sets conditions and pay-ins in the urban area according to the Taxi Industry (Contract Drivers) Contract Determination 1984.
KPI	Key Performance Indicators. Measure network service performance. KPIs are collected by the Ministry of Transport.
LPG	Liquefied Petroleum Gas. According to the recent PwC taxi cost survey, LPG is used by 95 per cent of taxis in NSW.
Luggage fee	Fare component charged for carrying amounts of luggage greater than 25kg.
Maxi taxi surcharge	Fare component charged for hiring a maxi taxi, except when it is hired from a taxi zone or hailed on the street to carry up to 5 passengers or as a multiple hiring. Calculated as a percentage mark-up on the entire fare.
NCOSS	Council of Social Service of New South Wales.
Network fees	Fees paid by the operator of a taxi to belong to an authorised taxi network.
Night time surcharge	Fare component charged for trips between 10pm and 6am. Calculated as a percentage mark-up on the distance rate.
NSWTDA	New South Wales Taxi Drivers Association.
Pay-in	The amount paid by a bailee driver to an operator for the use of a taxi. Maximum pay-ins for urban taxis are determined by the NSW IRC and set out in the Taxi Industry (Contract Drivers) Contract Determination 1984 but discounting below this rate is common.
PDCN	Physical Disability Council of NSW.
Premium booking fee	Fare component charged for booking a premium taxi through a taxi network.
PwC	PricewaterhouseCoopers. A consultancy firm. Conducted a survey of taxi drivers and operators in 2007 which identified taxi industry costs.

Tariff II	Fare component charged for distance travelled beyond 12km. Charged in areas under the country fare scale only.
Taxi Council	New South Wales Taxi Council.
Taxi Transport Subsidy Scheme	Subsidy provided to qualifying passengers for WATS bookings. Currently provides a discount of 50 per cent on the total fare up to a maximum subsidy of 30 dollars.
TCI	Taxi Cost Index. Used by IPART to measure the increase in taxi industry costs between review periods.
TTF	Tourism and Transport Forum.
TTSS	Taxi Transport Subsidy Scheme.
Waiting time	Fare component charged when travelling below the threshold speed.
Waiting time threshold speed	Speed in km/h, below which waiting time is charged rather than the distance rate. The threshold speed is currently around 26km per hour
WAT	Wheelchair Accessible Taxi. WATs are connected to the Zero200 booking service and are obliged to take wheelchair jobs.
WPI	Wage Price Index. Price index measuring the cost of wages paid by business and government. Compiled by the Australian Bureau of Statistics.
Zero200	Taxi network which handles all bookings requiring a wheelchair accessible taxi. All WATs are required to be connected to this network.