

2010 Review of Taxi Fares in NSW

Annual review of fares and consideration of flat fares
between Sydney Airport and Sydney CBD

Transport — Discussion Paper
March 2010



Independent Pricing and Regulatory Tribunal

2010 Review of Taxi Fares in NSW

**Annual review of fares and consideration of flat fares
between Sydney Airport and Sydney CBD**

Transport — Discussion Paper
March 2010

© Independent Pricing and Regulatory Tribunal of New South Wales 2010

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

ISBN 978-1-921628-36-8 DP124

The Tribunal members for this review are:

Mr James Cox, Acting Chairman and Chief Executive Officer

Ms Sibylle Krieger, Part Time Member

Inquiries regarding this document should be directed to a staff member:

Brett Everett (02) 9290 8423

Christine Allen (02) 9290 8412

Ineke Ogilvy (02) 9290 8473

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

www.ipart.nsw.gov.au

Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by 30 April 2010.

We would prefer to receive them by email <ipart@ipart.nsw.gov.au>.

You can also send comments by fax to (02) 9290 2061, or by mail to:

2010 Review of Taxi Fares
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Our normal practice is to make submissions publicly available on our website <www.ipart.nsw.gov.au>. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed on the previous page.

We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be subject to appeal under freedom of information legislation.

If you would like further information on making a submission, IPART's submission policy is available on our website.

Contents

Invitation for submissions	iii
1 Introduction	1
1.1 How the review will be conducted	1
1.2 How this paper is structured	1
1.3 What submissions should address	2
2 Our approach to the 2010 review	4
2.1 Composition of the Taxi Cost Index and its weightings	4
2.2 Inflaters used in the Taxi Cost Index	6
2.3 Flat fares for trips between Sydney airport and the Sydney CBD	6
2.4 Measures for addressing fuel price volatility	7
3 Fare changes needed to cover changes in costs	8
3.1 Our preliminary estimates of the change in taxi fares required	8
3.2 Estimated change in the cost of providing taxi services measured by the Taxi Cost Index (TCI)	8
3.3 Fare structure	15
3.4 Average fare assumptions	16
4 Flat fares between Sydney Airport and the Sydney CBD	19
4.1 What is a flat fare?	19
4.2 What features of a flat fare for taxis in Sydney need to be defined?	22
4.3 What are the advantages and disadvantages of flat fares between Sydney CBD and the airport?	26
5 Measures for dealing with fuel price volatility	35
5.1 Why we included a mid-year LPG price review in 2008	35
5.2 Do we still need measures to address LPG price volatility?	37
5.3 Options for addressing LPG price volatility	38
Appendices	45
A Terms of Reference	47
B Request to consider flat fares between the airport and CBD	48
C Calculating the change in costs using the TCI	50
D Service quality changes	57

1 Introduction

We review the fares for taxi services in NSW each year and recommend new maximum fares to the Minister for Transport in June. Our aim is to ensure that the annual change in fares we recommend reflects changes in the costs of providing taxi services that have occurred since our last review. In doing this we refer to the terms of reference developed in accordance with the *Independent Pricing and Regulatory Tribunal Act 1992* (see Appendix A) and the views of our stakeholders and interested members of the public.

We will recommend fare changes to occur on 1 July 2010. After considering our recommendations, the Director General of NSW Transport and Infrastructure will decide on the maximum fares that will apply and the date they will come into effect.

1.1 How the review will be conducted

This discussion paper is the first step in the review process. It sets out our preliminary estimates of the likely fare increases we will recommend, discusses the key issues we will consider as part of the review, and seeks comment from interested parties. Submissions on the issues raised in this discussion paper are due by 30 April 2010.

We will hold a public forum on Monday 12 April to provide stakeholders with a further opportunity for input. We invite all interested parties to attend. After considering the information and comments received through the public consultation process, we will then finalise our recommendations and present them in our final report, which we expect to release in June 2010.

1.2 How this paper is structured

This discussion paper includes a detailed discussion of the key issues that we will consider as part of this year's fare review. The information in this paper is intended to provide a basis for discussion and to guide input from stakeholders and interested parties. We will not make final decisions until we have considered stakeholders views and have updated our analysis with the final set of cost data.

To assist stakeholders to consider the issues, the discussion paper is divided into the following chapters:

- ▼ Chapter 1 – provides an introduction, sets out the review process and what submissions should address
- ▼ Chapter 2 – outlines our approach to the review, in particular the scope of the review, and provides some contextual information
- ▼ Chapter 3 – sets out our preliminary estimates of the likely fare changes that will be required in July 2010 to allow the industry to recover their costs, and sets out a number of specific issues on which we are seeking comment
- ▼ Chapter 4 – sets out an analysis of the advantages and disadvantages of introducing a flat (or fixed) fare between Sydney Airport and the Sydney CBD, what such a fare might look like and what some of the implementation issues surrounding it are likely to be
- ▼ Chapter 5 – discusses the issue of fuel price volatility and sets out options for dealing with it.

The most recent information available on service standards in NSW is provided in Appendix D.

1.3 What submissions should address

In this discussion paper we have focused on the issues that we feel require further consideration in this review. We are requesting input from stakeholders on these and other issues.

Throughout the paper we have included the following questions on which we are particularly interested in receiving feedback:

- | | | |
|---|---|----|
| 1 | Are the indicative increases in fares reasonable given the cost increases faced by the industry? | 9 |
| 2 | Is CPI-Sydney an appropriate inflator for the network fee cost component in the Taxi Cost Index? Why or why not? | 13 |
| 3 | Can taxi drivers and operators can make gains in productivity? What are the industry specific factors that might affect the scope for productivity improvements in the taxi industry? | 14 |
| 4 | Is the current fare structure reasonable? Is there a case for raising some fare components by more than others? | 15 |
| 5 | Other than the TDC survey, what information is available on average trip distances, waiting time (that is, time spent during the trip where the taxi is travelling below 26km/hr), the share of trips that are pre-booked and the share of trips undertaken at night? | 18 |

6	Is there a need for further information to be made available to passengers on the costs of alternative modes of transport to and from Sydney Airport?	30
7	Is there any evidence of passengers being overcharged or being taken by indirect routes for journeys to and from Sydney Airport?	30
8	Do the advantages of a flat fare outweigh the disadvantages?	34
9	If there was a sufficient need to introduce flat fares, what are the most effective ways of addressing the disadvantages without sacrificing simplicity In particular:	34
	– At what level should the flat fare be set?	34
	– Should the CBD area be broken into more than one zone?	34
	– What geographical boundaries should be used to define the CBD zone? Should it include secondary areas like North Sydney or Kings Cross?	34
	– Should the flat fare include or exclude additional fees (such as the airport access fee , booking fee and Eastern Distributor toll)	34
	– Should the flat fare be optional or only apply at certain times of the day?	34
11	Is a mid-year review the best way of addressing LPG price volatility?	40
12	If we keep the mid-year review of LPG prices, should we retain the 10% threshold for fares changes, or increase it so that we recommend fares only if LPG prices change by at least 20%, or use some other value?	42
13	Are there benefits from us looking at cost forecasts in order to decide whether to recommend a mid-year fare change? If so, do those benefits outweigh the drawbacks of doing this?	43

2 Our approach to the 2010 review

Since we began reviewing taxi fares in 2001, we have estimated how much the cost of providing taxi fares has changed over the previous 12 months based on the movement in an industry-specific cost index, known as the Taxi Cost Index (TCI).¹ We have then used this index to develop fare changes that, on average, match the change in the cost of providing taxi services.

Three years ago, we reviewed whether we should continue to use this cost index approach and decided that it remains the most appropriate method.² However, we have made a number of changes to the TCI since this time including undertaking a complete review of the costs, weightings and inflators in 2008.

This year, there are a number of other reviews and recent developments occurring within the industry. These processes have the potential to change the cost structure of the industry, which would need to be taken into account in setting fares. However, at this stage, it is not clear whether this is the case, or what the impact of any resulting changes will be.

Given the above, we do not intend to reconsider our overall approach or the TCI this year but we do intend to consider a number of specific items in more detail. This chapter sets out the scope of this year's fare review and the reasons we decided to take this approach.

2.1 Composition of the Taxi Cost Index and its weightings

From time to time (approximately every 5 years) we review the composition of the TCI to ensure the weightings and cost inflators being used are still relevant and can accommodate changes that may have occurred in the industry. Our next review is due in 2012. While there are a number of reviews and industry developments occurring this year, the outcomes of these and the extent of any impact on the costs faced by the industry will not be known for some time (see Box 2.1). We intend to monitor the impact of these developments. Should the impacts be significant, we would consider bringing forward the next major review of the TCI to 2011.

¹ For further information on how the TCI is calculated and the current weightings and inflators see Appendix C.

² IPART, *Review of Form of Regulation for Taxis in NSW*, March 2007.

Box 2.1 Recent developments that may impact the NSW taxi industry

Changes to the taxi licensing framework

On 27 November 2009, Parliament passed changes that introduced a new arrangement for the issue of new taxi licenses in NSW. Rather than issuing perpetual licenses available on demand at the prevailing market price NSW Transport and Infrastructure will issue 10 year, annually renewable licenses. The Director General will determine how many new licenses should be released each year and then conduct a public auction or sealed tender so that the market sets the price for them. Existing perpetual licenses will continue to exist and be tradable.

As an interim measure, 100 of the new annually renewable 10 year taxi licenses are to be released for operation in Sydney by July 2010. NSWTI has conducted a tender for these licenses but the outcome has not yet been published.

Further detail on these changes can be obtained from the NSWTI website www.transport.nsw.gov.au.

Select Committee Inquiry into the taxi industry in NSW

On 10 November 2009, the NSW Parliament formed a Select Committee to conduct an inquiry into the NSW taxi industry. The Terms of Reference are fairly broad and include Government regulation of the industry, anti-competitive behaviour, customer service and entitlements and working conditions for drivers. The Select Committee is due to report by 14 April 2010.

Further detail on the scope and timing of the inquiry is available on NSW Parliament's website www.parliament.nsw.gov.au.

Award modernisation process

On 28 March 2008, the Government asked the Australian Industrial Relations Commission to review and rationalise the existing system of industrial awards. The resulting 'modern awards' involve changes to award wages and entitlements for some employees. Most modern awards contain transitional provisions which allow these changes to be progressively introduced from 1 July 2010.^a

While all employees are covered by the new modern awards, not all employees will see changes to their wages and entitlements (for example, if they are currently being paid above award wages). The modern awards do not apply to workers that are not employees, so for example, do not cover bailee taxi drivers.^b The impact of any changes on the cost structure of the taxi industry will depend on the wages and conditions paid in the industry and the extent and timing of any changes introduced by the relevant modern award.

More information is available from the Australian Industrial Relations Commission website www.airc.gov.au or from Fair Work online www.fairwork.gov.au.

^a Fair Work Online <<http://www.fairwork.gov.au>>

^b Taxi drivers in NSW are typically bailees. In urban areas, their conditions are governed by the NSW Industrial Relations Commission's Contract Determination.

2.2 Inflaters used in the Taxi Cost Index

We estimate the change in each cost item in the TCI using a cost 'inflator', which is expressed as a percentage change. Each inflator aims to track the movement in the particular cost item over time. Wherever possible, we select inflators that are:

- ▼ based on independent and verifiable data that is publicly available
- ▼ a reasonable estimate of cost changes over time.

While we are confident that our inflators for most cost items meet these criteria, to date we have been unable to identify an independent measure that provides a good indication of the change in network fees. We intend to again consider whether there is appropriate and independent data that we can use to track the movement in this cost item. The specific issues we are looking at are discussed in chapter 3.

In addition, we also use industry reported data to inflate licence plate lease costs. We do not consider that currently there is a better measure than this. However, we hope that the recent changes to licensing arrangements (see Box 2.1) will result in a better, more transparent measure of licence costs that we can use in the TCI in future years. In the meantime, we do not intend to reconsider the inflator for this item.

2.3 Flat fares for trips between Sydney airport and the Sydney CBD

On 18 September 2009, the Director General of NSW Transport and Infrastructure (NSWTI) asked us to give detailed consideration to a proposal to introduce flat fares between the CBD and Sydney Airport (both international and domestic terminals) and to make a recommendation on this issue (a copy of this request is provided in Appendix B). When considering this issue the Director General of NSWTI asked us to take into account the following:

- ▼ the potential for disadvantage to either passengers or drivers if the flat fare is higher or lower than the metered fare at the time of travel
- ▼ whether the flat fare would be optional or applicable at certain times of day, and the potential for drivers to avoid such journeys if the flat fare is lower than the metered fare, particularly in peak periods
- ▼ reference to costs including tolls and night rates
- ▼ implications of a flat fare occurring 'off-meter'
- ▼ consideration of similar schemes internationally
- ▼ how a flat fare could operate should government decide to proceed.

The specific issues we are looking at are discussed in Chapter 4.

2.4 Measures for addressing fuel price volatility

The Director General for NSW Transport and Infrastructure (NSWTI) has also asked us to reconsider whether it is necessary to continue to include a mid-year review of LPG prices. We included this as a means of addressing LPG price volatility in between annual reviews. However, NSWTI has not accepted our recommendations on mid-year fare changes and recently submitted that these reviews should not continue as routine but should be conducted on a case by case basis. We will reconsider this issue as part of this year's fare review. The specific issues we are looking at are discussed in Chapter 5.

3 Fare changes needed to cover changes in costs

We have calculated preliminary estimates for the change in fares we consider will be required this year. These likely fare changes are based on estimates of the change in the cost of providing taxi services since our 2009 review. We have estimated these changes by calculating the change in urban and country TCIs using the most up to date data we have available. This information is intended to help interested parties comment on our logic and our approach. We will update our calculations with more recent data before making our recommendations. As a result, the estimates outlined in this paper are preliminary estimates only and the final fares are likely to be different.

The section below provides an overview of these findings. The subsequent sections outline our preliminary considerations in relation to specific cost items, fare structure and the average fare.

3.1 Our preliminary estimates of the change in taxi fares required

Generally, we recommend that maximum taxi fares are increased at 1 July each year in line with the cost increases that have occurred between 1 April of the previous year and 31 March of the current year. Based on currently available data, our preliminary estimate is that this cost increase will be approximately 3.5% in urban areas and 3.1% in country areas. Depending on what feedback we receive from stakeholders, we propose to apply the increase evenly to the individual fare components to maintain the current relativity between components, subject to requirements to round some charges.

3.2 Estimated change in the cost of providing taxi services measured by the Taxi Cost Index (TCI)

Each year we estimate the change in the cost of providing taxi services over the past year using an industry specific cost index called the Taxi Cost Index (TCI) – see Box 3.1. In order to provide an indication of the likely fare outcome for the review, we have calculated the TCI using preliminary information. We will update our calculations with the final data before making our recommendations.

Box 3.1 What is the Taxi Cost Index and how does it work?

A cost index measures, in percentage terms, how much the overall cost of providing a particular type of transport services has changed in the 12 months since our last review. There are 2 parts to the index:

- ▼ a list of costs faced by the industry and their relative importance (weightings)
- ▼ an estimate of how each of these costs changes over time (inflators).

The TCI incorporates the major cost items involved in providing taxi services in NSW. Each cost item is weighted according to the proportion of the overall cost of providing the service it represents. In this way the TCI builds up the cost structure of running a typical taxi. We estimate the change in the cost of each item using a cost 'inflatior', which is expressed as a percentage change. Each cost item has its own inflator, which aims to track the movement in this particular cost item over time.

At the start of each review, we establish the relative weighting for each cost item in the cost index, and the value of its inflator. We then multiply the weighting by the inflator value for each cost item individually, to calculate the change in overall costs that cost item represents (i.e. the contribution of any increase or decrease in the cost item since the last review to the overall change in the cost of providing the service). The sum of all these provides the increase in overall costs faced by the industry. This is the total change in the cost index.

There are separate TCIs for urban and country taxis. While these TCIs are similar in structure, there are some differences in the weightings and inflators which reflect the differences in the way these services operate.

Table 3.1 and Table 3.2 show the indicative increase in costs for urban and country taxis since the last review based on the most up to date data available. They also show how the individual cost items in the TCI have changed over the past year and their contribution to the overall change in costs. For most cost items we have estimated the change in costs using the change for the year to 31 December 2009 as this is the most up to date data available. We expect to recommend fare changes consistent with the increase in the TCI.

IPART seeks comments on the following

- 1 Are the indicative increases in fares reasonable given the cost increases faced by the industry?

To calculate the preliminary estimates we have used the same inflators as used in the last review to calculate the proposed change in fares outlined above. While we are open to stakeholder views on our approach in general, we are seeking comments from interested parties on 2 specific issues including a possible change to the inflator used for network fees and any industry or economic trends that should be accounted for in our productivity adjustment. These issues are discussed in more detail in the following sections.

A more detailed description of the TCI, and the cost items and inflators in each TCI, is included in Appendix C.

Table 3.1 Estimated change in the cost of providing taxi services in urban areas over the year to 31 December 2009 (%)

Cost item	Weighting at the start of the review	Change in cost item	Contribution to overall change in TCI
Driver costs			
Notional drivers' wages ^a	39.0	3.5	1.4
Notional self-funded entitlements ^b	1.4	3.4	0.0
Driver superannuation ^a	4.0	3.5	0.1
LPG fuel ^c	7.2	-9.7	-0.7
Other drivers' costs	2.4	1.8	0.0
<i>Total drivers' costs</i>	<i>54.1</i>	<i>1.6</i>	
Operator costs			
Driver entitlements in the Contract Determination ^b	4.4	3.5	0.2
Operators' salary equivalent ^a	6.8	3.5	0.2
Maintenance costs	4.8	2.9	0.1
Plate lease costs ^c	13.7	8.2	1.1
Insurance	7.7	10.1	0.8
Vehicle lease payments	2.3	0.3	0.0
Network fees ^c	3.2	2.3	0.1
Other operators' costs	3.0	1.8	0.1
<i>Total operators' costs</i>	<i>45.9</i>	<i>5.6</i>	
Total costs	100.0		3.5

Note: Figures may not add due to rounding. Unless otherwise specified, cost increases are based on average index value for the year to 31 December 2009 divided by the average index value for the year to 31 December 2008.

^a Preliminary estimates of labour cost items include a zero productivity adjustment.

^b The drivers' entitlements cost item was inflated by WPI then this cost was allocated between drivers and operators based on the estimated cost of legal obligations imposed on operators in the IRC contract determination.

^c LPG fuel data, Plate lease cost data and network fee data is the best available data at the time of public release of this Discussion Paper and does not reflect costs for the year to 31 December. See Appendix C for more detail.

Table 3.2 Estimated change in the cost of providing taxi services in country areas over the year to 31 December 2009 (%)

	Weighting at the start of the review	Change in cost item	Contribution to overall change in TCI
Driver costs			
Notional drivers' wages ^a	42.0	3.5	1.5
Notional drivers' self-funded entitlements ^a	6.3	3.5	0.2
Drivers' superannuation ^a	4.3	3.5	0.2
Other drivers' costs	1.6	1.8	0.0
<i>Total drivers' costs</i>	<i>54.3</i>	<i>3.4</i>	
Operator costs			
Operators' salary equivalent ^a	7.4	3.5	0.3
LPG fuel ^b	6.9	-10.5	-0.7
Maintenance costs	4.1	2.9	0.1
Plate lease costs ^b	11.4	8.2	0.9
Insurance	4.7	10.1	0.5
Vehicle lease payments	2.5	0.3	0.0
Network fees ^b	4.7	2.3	0.1
Other operators' costs	4.1	1.8	0.1
<i>Total operators' costs</i>	<i>45.7</i>	<i>2.8</i>	
Total costs	100.0		3.1

Note: Figures may not add due to rounding. Unless otherwise specified, cost increases are based on average index value for the year to 31 December 2009 divided by the average index value for the year to 31 December 2008.

^a Preliminary estimates of labour cost items include a zero productivity adjustment.

^b LPG fuel data, Plate lease cost data and network fee data is the best available data at the time of public release of this Discussion Paper and does not reflect costs for the year to 31 December. See Appendix C for more detail.

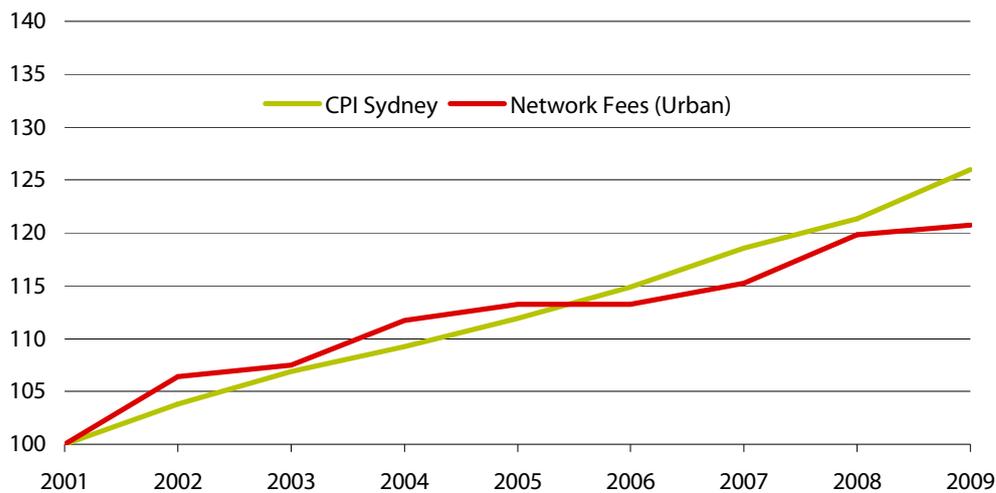
3.2.1 Inflater to be used for network fees

The network fees cost item reflects the cost incurred by taxi operators in providing taxi booking services 24 hours per day, 7 days a week; training drivers in network rules; maintaining and monitoring network alarm equipment and ensuring other driver safety requirements are complied with; ensuring compliance with fare and meter requirements; connection and compliance with the customer feedback management system; providing a lost property service; ensuring child restraint obligations are satisfied; reporting on key performance indicators; and overheads in providing these services.

Data obtained directly from urban taxi networks, shows that the weighted average cost of paying network fees has increased by 2.3% over the past 12 months. Historically we have used data on actual network fees to inflate this cost item, as we've been unable to identify a better alternative. Last year, in response to stakeholders' concerns about the use of industry reported data, we raised the

possibility of using CPI-Sydney to inflate the network fees cost item instead of relying on data provided by the networks themselves. We noted that despite annual differences, over time the change in the CPI may provide a reasonable alternative that is independent and publicly available (Figure 3.1).

Figure 3.1 Actual change in urban network fees compared to changes in CPI since 2001

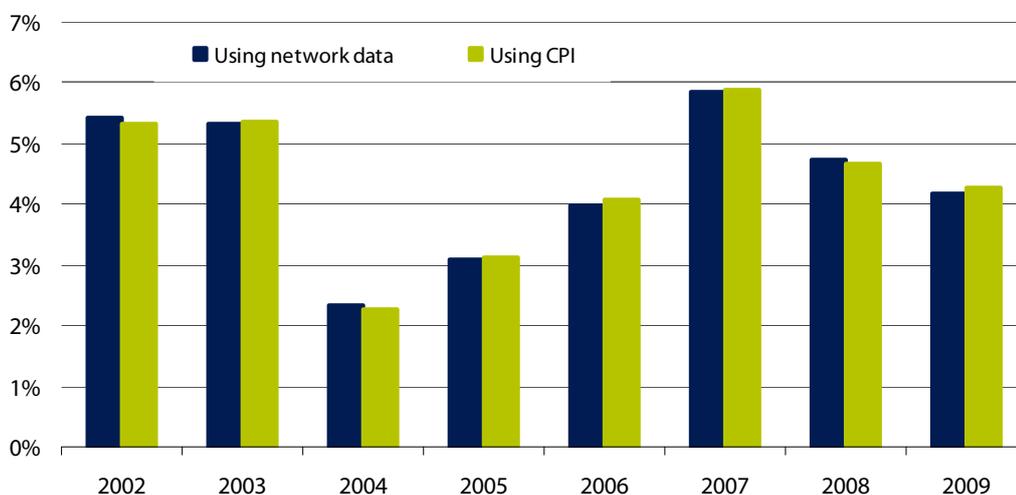


Data source: ABS, IPART reports.

Using an independent inflator such as CPI ensures independence, transparency and data reliability. We recognise that while actual cost data is likely to be more cost reflective, it is not independent or publicly available and this is of concern to stakeholders. We have also recognised in past reviews that cross-ownership of networks means that there is limited competition in the market for network services and the level of network fees reported by industry may not represent an efficient cost.

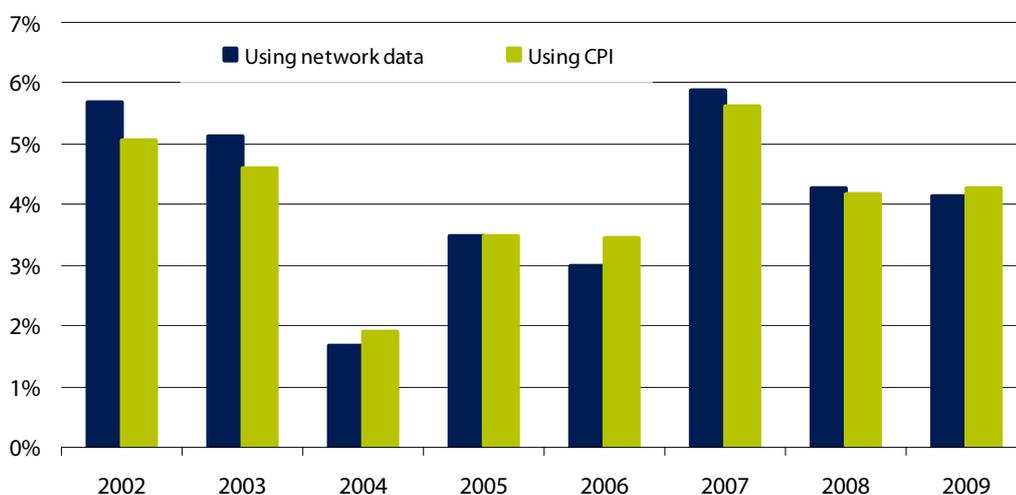
Figure 3.2 and Figure 3.3 show the difference in the percentage change in costs calculated by the TCI for urban taxi services and country taxi services over the past 8 reviews if CPI data is used in the TCI calculations rather than network reported data. The network fees cost item has a relatively small weighting (less than 5%) and using CPI rather than industry data does not greatly affect the TCI outcome and is unlikely to make a significant difference to fare outcomes.

Figure 3.2 Change in costs for urban taxi services using CPI compared to network fee data



Data source: ABS, IPART reports.

Figure 3.3 Change in costs for country taxi services using CPI compared to network fee data



Data source: ABS, IPART reports

Based on our preliminary estimates, using CPI rather than the industry provided data this year would result in a slightly lower fare increase for urban taxis (3.4% not 3.5%) and the same fare increase for country taxis (based on a CPI increase of 1.8%).

IPART seeks comments on the following

- Is CPI-Sydney an appropriate inflator for the network fee cost component in the Taxi Cost Index? Why or why not?

3.2.2 Productivity adjustment to be applied to driver and operator labour costs

The inflator we use to estimate the change in labour costs for drivers and operators is the Wage Price Index (WPI) adjusted for expected gains in labour productivity during the period. These gains in labour productivity are not already reflected in the WPI measure. Making a productivity adjustment is designed to better reflect the actual costs faced by the industry and to ensure that passengers, and not just the industry, benefit from productivity improvements. Typically, our productivity adjustments are based on a conservative estimate of productivity gains that have occurred in the broader economy.

In our preliminary estimates of the change in costs, we have not included a productivity adjustment to labour costs. Last year, we made an adjustment of:

- ▼ 0.6% for operators
- ▼ 0.3% for drivers.

Last year's review identified lack of information to be a major difficulty in making an accurate assessment of likely productivity gains in the taxi industry. Therefore, we applied a conservative approach using the information that was available including:

- ▼ The 5-year average annual growth in productivity in the broader economy as measured by the Australian Bureau of Statistics' range of economy-wide productivity measures.
- ▼ Stakeholder comments.
- ▼ Any industry circumstances that may have affected the scope for productivity improvements in the taxi industry.

Since last year's review, the ABS has released updated information on productivity in the Australian economy (see Appendix C). That data showed mixed results. Productivity in the economy fell under most measures but rose slightly for the market sector (measured by GDP per hour worked). Labour productivity (GDP per unit of labour input) per hour worked fell by 0.3% and after being adjusted for quality, by 0.4%. Over the past 5 years, the average gains in labour productivity were 0.9% and 0.7% respectively. These figures are significantly lower than those available for the 2009 review. Our preliminary estimate of the change in taxi fares does not include an adjustment for productivity for drivers or operators. However, we will consider whether taxi drivers or operators are likely to have been able to improve their productivity over the past year before making a final fare recommendation.

IPART seeks comments on the following

- 3 Can taxi drivers and operators can make gains in productivity? What are the industry specific factors that might affect the scope for productivity improvements in the taxi industry?

3.3 Fare structure

We examined the fare structure in some detail in the 2008 review and made some minor adjustments. As a result, at this stage we do not propose to make further changes. However, we are interested in the views of stakeholders and interested parties and will consider the implications of any new information that is provided before making our final recommendation.

In the absence of any stakeholder views to the contrary, we propose to maintain the current fare structure by applying the percentage increase identified in the TCIs evenly across the various fare components (subject to any requirements to round individual fare components). The section below sets out the individual fare components and describes how these fare components would change.

IPART seeks comments on the following

- 4 Is the current fare structure reasonable? Is there a case for raising some fare components by more than others?

3.3.1 Flagfall

The flagfall fare component is a fixed cost that is designed to compensate the driver for the general cost of being available for hire and of processing cash payments. It is charged once for every taxi trip made and is currently \$3.20 in urban areas and \$3.70 in country areas. We propose to increase the flagfall component by the average required increase then round it to the nearest 10 cents.

3.3.2 Distance charges

The distance charges compensate the driver for the variable costs of transporting a passenger. This includes fuel, wear and tear on the vehicle and the driver's time. The distance charges are currently \$1.93 per kilometre in urban areas and \$1.98 per kilometre for the first 12 kilometres, and \$2.76 per kilometre for distances over 12 kilometres, in the country. We propose to increase the distance charges by the amount required to ensure that the increase in the total average taxi fare is in line with our recommended total fare increase.

3.3.3 Waiting time charge

The waiting time component of the fare applies when a passenger is in the taxi but the taxi is travelling at a speed of less than 26km/hr. This includes time when the taxi is standing at traffic lights or in congested traffic and is designed to cover the minimum cost of the passenger occupying the taxi when the taxi is not covering significant distance. In urban areas the waiting time charge is currently \$50.00 per hour and in country areas it is \$51.02 per hour. We propose to increase the waiting time charge by the average increase.

3.3.4 Booking fee

The booking fee is intended to compensate drivers, on average, for the costs of picking up passengers who book a taxi from the location they specify. The fee compensates the driver for fuel spent driving to the pick up point and for the time involved in phoning the passenger before arrival if requested.

In 2008, we increased the booking fee by 25% in urban areas to better reflect the costs involved. The booking fee is currently \$2.10 in urban areas and \$1.10 in country areas. We propose to maintain the relative cost of booking a taxi by increasing this charge by the average increase and then rounding to the nearest 10 cents.

3.3.5 Night time surcharge and Sunday/public holiday surcharge

These surcharges are intended to provide drivers with extra compensation for working unsociable hours and the additional safety risks associated with night time driving. In urban areas the surcharge applies to journeys that commence between the hours of 10pm and 6am every day. In country areas, it also applies to journeys commencing between 6am and 10pm on Sundays and public holidays.

Currently, the night time/public holiday surcharge is added to the distance rate. At this stage we do not propose to change the application of the night time surcharge but to maintain it at 20% for urban and country taxis.

Submissions to previous reviews suggested that the rate also be applied to the waiting time and that it should apply on Sundays and public holidays in urban areas.³ After consideration we determined that this change was not justified.

3.3.6 Maxi taxi surcharge

The maxi taxi surcharge applies where a maxi taxi is hired except where it is hired from a taxi zone or hailed from the street to carry up to 5 passengers or as a multiple hiring. We propose to retain the current level of surcharge at 50% added on top of the total fare for urban and country taxis.

3.4 Average fare assumptions

To translate our decision on the required overall percentage increase in taxi fares into a specific recommendation on the maximum level of individual fare components, we apply the required change to a specified 'average fare' for country and urban areas. This approach is designed to ensure that on average the industry receives a fare change that reflects their change in costs, even where some fare components need to change by more or less than others.

³ ATDA submission, April 2009, pp 6-7.

Table 3.3 shows the assumptions associated with the average fares we currently use and the current value of the average fare.

Table 3.3 IPART assumptions on what the average fare looks like

	Urban	Country
Assumptions:		
Distance travelled (kilometres)	7	5
Waiting time (minutes)	5	3
Share of trips that are phone bookings	20%	65%
Share of trips that are night trips	20%	15%
Value of the average fare:		
Value under current fares	\$21.88	\$17.18

We last reviewed these assumptions in 2008. They are based a number of individual pieces of data, including submissions, summaries of taxi meter data provided by stakeholders and the Transport Data Centre's (TDC) Household Travel Survey (2005 survey data, which was released in 2007). See Table 3.4.

Table 3.4 Information on the average trip in urban areas considered in 2008

	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).

Source: IPART, *2008 Review of Taxi Fares in NSW, Final report and Recommendations*, June 2008, p 57.

The TDC has recently released updated results from the Household Travel Survey based on 2008 survey data (the 2009 release). In this release, the TDC has changed the method it uses to measure trip distances. It now calculates trip distance as the road network distance between the origin and destination (the origin and destination addresses are each coded to an X, Y co-ordinate). Prior to the 2009 release, the TDC calculated trip distances differently, which may have resulted in an overestimation of trip distances, particularly for short trips.⁴

Despite the change in approach to measuring trip distance, there do not appear to be significant differences between the updated TDC data and the original data we considered in 2008. The available data on average trip distance and waiting time, comparing the data obtained from both Household Travel Surveys is set out in Table 3.5.

Table 3.5 Average taxi trip in the greater metropolitan area – Household Travel Survey

	Average distance (km)		Average time (minutes)	
	2007 release	2009 release	2007 release	2009 release
Sydney	7.3	7.3	19.5	20.6
Central Coast	3.9	5.3	14.8	11.3
Blue Mountains	12.1	not reliable	18.8	not reliable
Newcastle	5.2	5.1	14.0	16.4
Wollongong	3.6	4.3	9.2	10.3
Other	3.5	3.5	10.2	10.1
Average for the greater metro	6.8	7.0	18.3	19.6

Source: Transport Data Centre, Household Travel Survey 2007 release and 2009 release.

IPART seeks comments on the following

- 5 Other than the TDC survey, what information is available on average trip distances, waiting time (that is, time spent during the trip where the taxi is travelling below 26km/hr), the share of trips that are pre-booked and the share of trips undertaken at night?

⁴ Transport Data Centre, *2007 Household Travel Survey Summary Report, 2009 Release*, p 53.

4 Flat fares between Sydney Airport and the Sydney CBD

In September 2009, the Government asked us as part of the next fare review to consider whether flat (or fixed) fares should be introduced for taxi trips between Sydney Airport and the Sydney CBD.⁵

The Government asked us to consider a number of specific issues before making recommendations on whether to introduce a flat fare (see Appendix B for a full list of these issues). These include various options for how a flat fare could be applied (including experience in other schemes internationally), the advantages and disadvantages of different ways of implementing a flat fare and potential consequences compared to the current fare structure.

The sections below present our analysis of these issues and seeks comments from interested parties. We will finalise our analysis and make a recommendation after taking into account these views.

4.1 What is a flat fare?

A flat fare for taxi journeys between Sydney Airport and the CBD would mean that passengers pay the same fare regardless of the route or time taken to complete the journey. The fare would apply 'off-meter' meaning that the meter currently used to charge passengers based on the distance travelled and time taken would not be used.

Government has asked us to consider whether a flat fare should be introduced for 2 routes:

- ▼ between the Sydney CBD (from Central Station to Circular Quay) and the International Airport terminal
- ▼ between the Sydney CBD (from Central Station to Circular Quay) and the Domestic Airport Terminal.

Flat fares for taxi journeys to and from the airport have been introduced in several cities internationally such as New York, Tokyo and Miami (see Box 4.1). The systems differ depending on, geography, the nature of the road network and the taxi industry and the availability of alternative modes of travel to the airport. In the case of Tokyo

⁵ Letter from Director General Ministry of Transport, 15 September 2009.

and Miami flat fares differ between various zones across the city. Table 4.1 compares some of the key features of these cities to Sydney.

Table 4.1 Characteristics of cities with flat fares compared to Sydney

	Sydney (City)	New York (Manhattan)	Tokyo	Miami
Distance between the airport and city (approx km)	6-17km	17-20km	55-95km	3-37km
Approx size of area where flat fares apply (square km)	5 ^a	60	2,187	1,946
Population density (people per square kilometre) ^b	5,104	25,805	5,655	447
International visitors per annum (million)	2.7	9.5	5.3	5

^a Approximate area of Sydney CBD zone between Central station and Circular Quay. Flat fares do not currently apply in Sydney.

^b Where possible, population densities have been listed for areas to which flat fares apply. Note that Sydney includes areas outside the CBD such as Woollahooloo and Pyrmont. Miami includes the Miami-Dade County (note that population density of Miami City is 3,923 people per square kilometre however flat fares apply outside this area).

Source: Population density: Sydney Australian Bureau of Statistics, Housing in Sydney, available from <http://www.abs.gov.au/AUSSTATS/abs@.nsf/7d12b0f6763c78caca257061001cc588/6aab27cb0021d597ca2571b00016e4fd!OpenDocument>

New York US Census Bureau State and County Quick facts Manhattan available from <http://quickfacts.census.gov/qfd/states/36/3651003.html>

Miami US Census Bureau State and County Quick facts Miami-Dade County available from <http://quickfacts.census.gov/qfd/states/12/12086.html>

Tokyo metropolitan Government available from <http://www.chijihon.metro.tokyo.jp/english/PROFILE/OVERVIEW/overview3.htm>.

Box 4.1 Flat taxi fares in other cities

Flat fares for taxi journeys to and from the airport apply in several cities such as New York, Miami and Tokyo. The key features of the flat fare in these cities are summarised below.

	New York	Tokyo	Miami
Number of flat fare zones	1	6	11
Distance between airport and flat fare zone (approx – km)	17-20 km	55-95 km	3-37 km
Cost	\$45 US	15,000-24,000 Yen	\$10-\$52
Flat rate set at low, average or high fare based on mileage	High	Average	Average
Includes tolls	No	No	Yes
Vary by ward/zone	No	Yes	Yes
Vary by time of day	No	No	No

New York

Passengers travelling between (to and from) Manhattan and John F Kennedy (JFK) Airport pay a flat rate of \$45 USD plus any tolls incurred. This flat rate is slightly higher than the metered taxi fare from most locations in Manhattan.

The flat fare was first introduced in 1996 and initially operated in one direction only - from JFK Airport to Manhattan. Following its popularity with tourists and other visitors, the New York City Taxi and Limousine Commission (NYCTLC) extended the flat fare to passengers travelling to JFK Airport from Manhattan.

The fare applies irrespective of the number of passengers. If passengers request multiple stops within Manhattan, the flat fare is collected at the first stop and the meter is then activated for the remainder of the trip. The meter is not turned on and no night-time surcharge is added to the fare. Manhattan's geography is well suited to a flat fare, with the fare applying on Manhattan Island only.

The flat rate is higher than the fare based on mileage for most origins/destinations on Manhattan Island. This means that overall, drivers will not be worse off, or to put it another way, that passengers are paying a premium for the certainty of a flat fare.

There are several other modes of public transport available to the airport. Passengers can travel via New York's subway and an airport rail link (AirLink) at a cost of \$7.25 US or via shuttle bus at a cost of \$15 US.

Tokyo

Passengers travelling between Narita International Airport and different wards (or municipalities) of Tokyo are charged a flat fare that varies by ward. Tokyo's 23 wards are divided into 6 fare zones. Zones that are further away from the airport are charged at a higher flat rate than those close to the airport.

The flat fares are broadly consistent with 'average' or 'typical' metered fares in each of the wards. In several wards, the flat fare appears to be below the average metered fare, although this depends largely on the levels of traffic congestion that would be experienced for the journey.

Taxis are an expensive form of transport between Narita airport and Tokyo costing between 15,000 and 24,000 Yen. Passengers can travel via train (N'EX) to the airport for between 2,940 and 4,500 Yen (ordinary class).^a

Miami

Passengers travelling between Miami International Airport and different zones in the Miami-Dade county area are charged at a flat rate. The Miami-Dade county is divided into 11 flat rate zones. Zones that are further away from the airport are charged at a higher rate than those close to the airport.

The flat fares are broadly consistent with 'average' or 'typical' metered fares in each of the zones. They range from \$10 US to \$52 US. Unlike New York and Tokyo the flat rates include tolls and airport/seaport surcharges.

Other modes of public transport for accessing the airport include the MetroBus (minimum fare \$2 US plus transfers if multiple buses are required).^b

^a JR East, Fares and charges from/to Narita Airport, Airport Terminal 2, Available from <http://www.jreast.co.jp/e/nex/tickets.html> (Accessed 1 March 2010).

^b Miami-Dade County Transport, Transit Connections to Miami International Airport, Available from <http://www.miamidade.gov/transit/faq.asp> (Accessed 1 March 2010).

4.2 What features of a flat fare for taxis in Sydney need to be defined?

If flat fares were introduced between the Sydney CBD and the airport there are several elements that would need to be determined. These include:

- ▼ the boundaries of the Sydney CBD
- ▼ the fare level including how this compares to the equivalent metered fare, whether the fare includes or excludes tolls and whether the fare varies by time of day.

We have found that the impacts on passengers and drivers vary depending on how these elements are defined. The following sections provide an overview of the options for how each of these elements can be structured. Their impact on the advantages and disadvantages of flat fares are discussed in detail in section 4.3.

4.2.1 Sydney CBD boundaries

A flat fare zone needs to have clearly defined boundaries to avoid confusion for passengers and drivers.

The Sydney CBD runs from Central Station in the south to Circular Quay in the north. It is generally accepted to be bounded by Woolloomooloo in the east and the Western Distributor in the west and includes Haymarket, Chinatown, Wynyard, Martin Place and the Rocks.

Figure 4.1 shows the Sydney CBD area. Defining a northern boundary is relatively straightforward as it is bound by Sydney Harbour at Circular Quay. However, there are several options for defining the southern, eastern and western boundaries. For example:

- ▼ Should Central Station be bounded by Eddy Avenue or Cleveland Street in the south?
- ▼ Which side of Hyde Park should be used to form the boundary in the east?
- ▼ Should it include North Sydney or Kings Cross?

If a flat fare was to be implemented in Sydney the boundaries would need to be settled and clearly defined. The choice of boundaries also impacts on the appropriate level at which to set the flat fare.

Figure 4.1 Sydney CBD area



Data source: City of Sydney – CBD Access map – available from http://www.cityofsydney.nsw.gov.au/AboutSydney/documents/CBDDisabledAccess/catz_da_access_maps.pdf

4.2.2 Fare level

Table 4.2 summarises the key characteristics of the journey between the Sydney CBD and the airport terminals. The flat fare could be different for these 2 routes to reflect the longer trip associated with journeys to and from the International Terminal. It could operate in both directions (ie, to and from the airport), include or exclude additional fees (such as the airport access fee⁶, booking fee and Eastern Distributor toll) and potentially vary by time of day (for example a higher rate could be charged at night).

Table 4.2 Characteristics of Airport to Sydney CBD taxi journeys

	Domestic terminal	International terminal
Distance from CBD (by road – approximate)	6-12 km	11-17 km
Estimate of trips to the airport each year ^a		
- Number	8 million (approx)	
- As a proportion of total taxi trips in Sydney	10%-15% (approx)	
Current metered taxi fare (including tolls)	\$25-\$43	\$35-\$55
Applicable tolls	Airport Access Fee \$3.00 (charged on all journeys leaving the airport) Eastern Distributor \$5.00 (if used) Cross City Tunnel \$4.28 (if used)	Airport Access Fee \$3.00 (charged on all journeys leaving the airport) Eastern Distributor \$5.00 (if used) Cross City Tunnel \$4.28 (if used)
Comparable cost of single train journey to/from CBD (\$ per person)	\$15.00	\$15.40-\$15.80 ^b

^a There is currently no data available on the number of taxi trips to and from the airport each year. We have estimated these values based on information in Sydney Airport's 2006 Ground transport Plan and IPART's 2008 Review of Taxi fares in NSW.

^b Varies depending on origin/destination within the CBD.

Note: Distance from CBD and metered taxi fares vary based on route taken and destination within CBD (Central to Circular Quay). Assumes waiting time of 8 minutes for day journeys and 4 minutes for night journeys. Day rates apply 6 am to 10 pm. Night rates apply 10 pm to 6 am.

International experience suggests that flat fares are typically set somewhere within the range of an equivalent metered journey to or from the airport. In New York, the flat fare is set at the upper end of this range to ensure that drivers are compensated for the costs of providing most journeys. In Miami and Tokyo, the city is broken into several different fare zones. This makes it simpler to set flat fares for each zone that are more consistent with an 'average' or 'typical' metered fare.

⁶ An airport access fee of \$3.00 per pickup is currently charged by Sydney Airport and passed on to passengers. There is no charge for drop-offs at the airport.

The range of potential metered fares for the Airport to Sydney CBD route is large (Table 4.2). A typical journey from the Domestic Terminal costs between \$25 and \$43, while a typical journey to the International Terminal costs between \$35 and \$55.⁷

The wide range of fares for the journey to or from each terminal is caused by variation in route (including the origin/destination within the CBD zone and whether any tolls are incurred), time of day and direction. Having a large range of potential fares makes it more difficult to implement a flat fare based on 'typical' or 'average' fares. In Miami and Tokyo this is addressed through having several flat fare zones.

Variation in route

As discussed above, the Sydney CBD captures the area from Central to Circular Quay. The size of this area results in a potential variation in distance of approximately 3 km or \$6 on a metered fare. In addition, there are several possible routes between the airport and the CBD that vary in distance and may or may not incur tolls. For example, a journey to Circular Quay via O'Riordan St and Botany Road is approximately 10 km and does not incur any tolls. However, a journey to Circular Quay via the Eastern Distributor is 12 km and incurs a toll of \$5.

Time of day

Fares also vary by time of day. Metered fares currently include a 20% night-time surcharge on the per kilometre charge for journeys between 10pm and 6am. Journeys at different times also encounter different levels of traffic congestion. Higher levels of congestion are more likely to be encountered during the AM and PM peak period. This results in journeys during these times incurring higher levels of waiting time which is charged at \$48.00 per hour.

Direction

Fares also vary depending on whether the journey is being made to or from the airport. The fares shown in Table 4.2 are for journeys from the airport. A \$3 airport access fee is charged and passed on to all passengers leaving the airport. This fee is not incurred by passengers travelling to the airport.⁸

⁷ Journeys to the International Terminal are longer than the Domestic Terminal and so incur a higher fare.

⁸ Sydney Airport Corporation submission to Inquiry into NSW Taxi Industry, January 2010, p 4.

4.3 What are the advantages and disadvantages of flat fares between Sydney CBD and the airport?

We have identified several advantages and disadvantages of flat fares compared to the current metered fare that charges based on distance travelled and time taken. These affect passengers and drivers in different ways and are largely affected by how the fare is set (for example the level at which the fare is set and how boundaries are defined). We have also identified several ways of minimising the disadvantages of flat fares. However, these measures tend to come at the expense of a more complicated system that is more difficult for passengers to understand.

The following sections explore these issues in more detail.

4.3.1 Advantages of flat fares

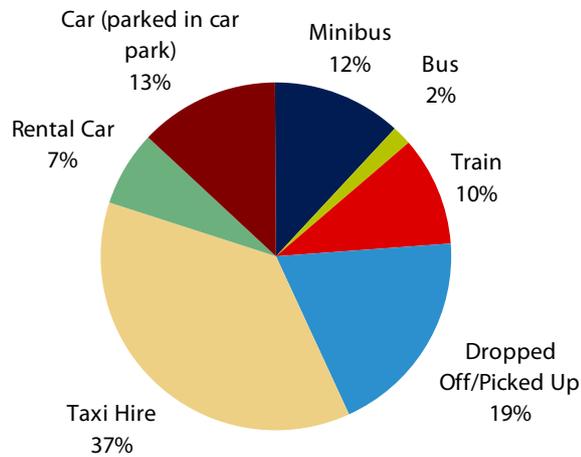
The main benefits of flat fares are simplicity and certainty. Passengers pay the same regardless of the route or time taken to complete the journey. This provides certainty for passengers, in particular those that are unfamiliar with the cost of the journey or the best route available (such as visitors and tourists). Flat fares also reduce the potential for passengers that are unfamiliar with the fare structure and the city to be exploited by drivers that take a less direct route.

These advantages are of greatest benefit to passengers when there is a need for them to have greater certainty around the costs of transport. This can occur in cases where there are limited transport options available, there is significant uncertainty around costs or there is evidence of passengers being overcharged (in particular, passengers that are more vulnerable such as tourists and visitors). The following sections explore these issues in more detail.

Availability and cost of transport options for accessing Sydney airport

People have several options available to get to and from the airport including taxis, private car, train and bus (Figure 4.2). Taxi trips are an important mode of travel for people accessing Sydney airport, accounting for 37% of all trips.⁹

⁹ Includes passengers, airport employees and meters and greeters accessing the airport.

Figure 4.2 Sydney airport travel mode split

Data source: Sydney Airport Corporation, Sydney Airport 2006 Ground Level Transport Plan, p 10.

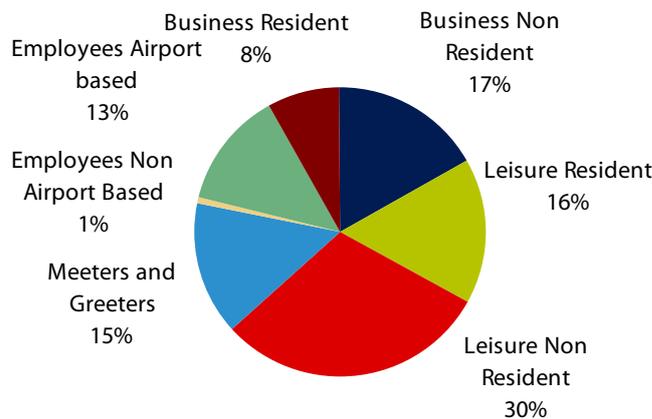
Equally, airport trips are an important component of work for taxis (and hence an important source of revenue). Of the 50 to 60 million taxi journeys made in Sydney each year, we estimate that 10% to 15% are made to or from Sydney Airport.

People access the airport for a variety of reasons and from a variety of locations throughout Sydney (See Box 4.2). The leisure or tourist market accounts for 46% of access on a typical weekday. The majority of the leisure market is made up of non-residents who are less likely to have knowledge of Sydney and the alternative transport options available to and from the airport. More than one third of passengers journeys originate from the Inner City/CBD region. Unfortunately, there is no information on the origin of taxi trips alone and therefore what proportion of have their origin/destination in the Sydney CBD area.

Box 4.2 Sydney airport ground access

People access Sydney airport for a variety of reasons including leisure, business and employment. The leisure (or tourist) market is the largest, accounting for 46% of access on a typical weekday (Figure 4.3). The majority of the leisure market is made up of non-residents who are less likely to have knowledge of Sydney and the alternative transport options available to and from the airport.

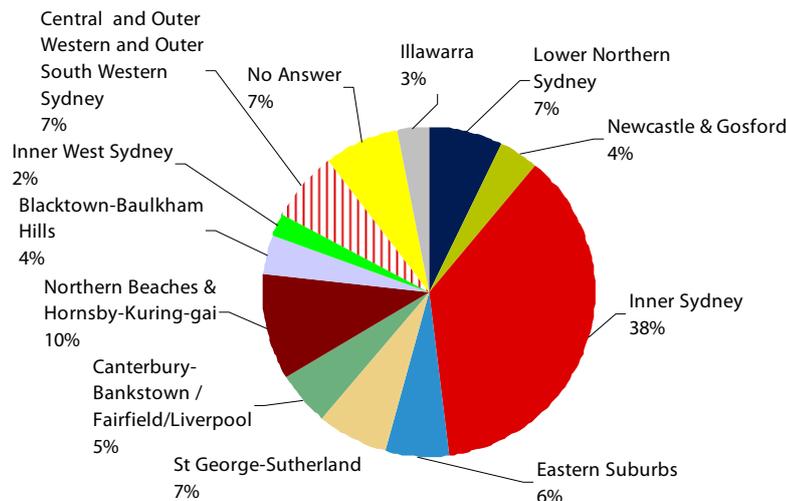
Figure 4.3 Sydney airport access by market segment (weekday)



Data source: Sydney Airport Corporation, Sydney Airport 2006 Ground Level Transport Plan, p 7.

Passengers access Sydney Airport from all areas of Sydney. As shown in Figure 4.4, more than one third of passengers originate from the Inner City/CBD region. Unfortunately, there is no information on the origin of taxi trips alone and therefore what proportion of have their origin/destination in the Sydney CBD area.

Figure 4.4 Sydney airport passenger origin/destination



Data source: Sydney Airport Corporation, Sydney Airport 2006 Ground Level Transport Plan, p 10.

When people decide on which mode of transport to use to access the airport, a number of factors influence their decision. While price is undoubtedly one factor, things such as ease of use, certainty of price and travel time are also important. The key competing modes of transport have different drawbacks/benefits compared with taxi travel. Importantly however, there is information available on each of these modes for passengers to make decisions about which mode best suits their needs.

Train and bus trips provide both price and, in the case of train, travel time certainty. However, for most passengers they are likely to be less convenient than taxi travel. Not all passengers have access to CityRail stations or bus routes. In addition, public transport options tend to be CBD focused making them less convenient transport modes for trips to the airport from outside the CBD.

The price relativity between public transport and taxis is also important. For example, the minimum train fare to the Airport is \$15.00. Given this, a passenger travelling alone during times of low congestion would be likely to catch a taxi for journeys up to 6km from the airport as it provides a comparable fare but with the convenience of travel directly to/from the origin destination. This distance increases to 13km (and captures the southern ends of the CBD) if 2 people are making the journey.

We note that Sydney Airport currently provides information on its website on approximate metered taxi fares to and from the airport for various origins/destinations such as the Sydney CBD, North Sydney and Parramatta.¹⁰ The availability of this information enables passengers to decide which mode of travel best suits their needs.

We also note that other private modes of travel are also available for passengers at a fixed cost. For example, shuttle bus services are available to collect passengers from their hotel and drop them at the airport. The costs of these services are comparable to train services (\$12-\$24 per person one way) although travel times can vary since passengers are collected from/dropped off at various locations throughout the CBD.¹¹

Available information on passengers being overcharged

Complaints data suggests that overcharging or taking passengers by an indirect route does occur within the Sydney taxi industry. However, it is difficult to determine the extent to which this occurs on journeys to and from the airport and if it is more prevalent for certain passenger groups such as tourists.

¹⁰ Sydney Airport Corporation, *Taxis – Taking a Taxi*, Available from <http://www.sydneyairport.com.au/SACL/Taxis.html>.

¹¹ Airport Express, 1 passenger booking online, Available from <http://www.airportconnect.com.au/default.asp> (Accessed 1 March 2009), SunBus Sydney MiniBus transfer rates, Available from <http://www.sunbussydney.com.au/page/rates.html>, Accessed 4 March 2010.

In the 12 months to March 2009, 1,001 passengers (or less than 0.002% of all journeys) made complaints about taxi drivers demanding more than the metered fare while 235 passengers made complaints about their driver failing to take the shortest practicable route.¹² While we consider these figures to be low, we note that only a small proportion of passengers that experience a worrying incident, actually report it (typically less than 10% for residents and less than 4% for visitors).¹³

IPART seeks comments on the following

- 6 Is there a need for further information to be made available to passengers on the costs of alternative modes of transport to and from Sydney Airport?
- 7 Is there any evidence of passengers being overcharged or being taken by indirect routes for journeys to and from Sydney Airport?

4.3.2 Disadvantages of flat fares

The main disadvantage of flat fares is that they may not be cost reflective. In addition there can also be difficulties in clearly defining zone boundaries and as the fares apply 'off-meter' there may still be potential for passengers to be overcharged.

Flat fares are not cost reflective

Driver costs that vary with the distance travelled and time taken – for example driver wages, superannuation, fuel and other driver costs – currently account for around 54% of the TCI.¹⁴ A flat fare does not reflect this cost structure, charging the same amount regardless of route or time taken to complete the journey.

The implications of a flat fare that does not reflect drivers' variable costs depends largely on what level the fare is set at. We have identified 3 possible levels:

- ▼ fare set at the minimum of an equivalent metered fare for the route
- ▼ fare set at a maximum of an equivalent metered fare for the route (like in New York)
- ▼ fare set at an 'average' or 'typical' equivalent metered fare for the route (like in Miami in Tokyo).

The first 2 options are relative easy to identify for Sydney. However setting an 'average' or 'typical' fare is more problematic. As shown in Table 4.2, there are a wide range of fares that apply to the journey between the airport and the CBD. There is currently no information available on journeys on these routes which would make it difficult to accurately set a fare that is 'average' or 'typical' taking into account the variation in routes, time of day and directions.

¹² These figures relate to **all** journeys, not just those to or from the airport.

¹³ Transport Data Centre, *Sydney Taxi Customer Survey*, Report no 98/4, April 1998.

¹⁴ Driver wages and superannuation, fuel and other driver costs.

If flat fares were set at the lower end of the fare range, most passengers would receive the benefit of a low fare at a low cost relative to an equivalent metered journey (in particular those passengers travelling to or from the northern end of the CBD zone). However, drivers would be worse off than under the metered rate for most journeys to or from the CBD. This could lead to supply issues with drivers being unwilling to make journeys to or from the CBD (particularly the northern areas).

If fares were set at the upper end of the fare range drivers would be better off than under the current metered fares. They would be fully compensated for the costs they could incur anywhere in the CBD zone but would be over-compensated for journeys to or from the southern end of the CBD zone such as Central. This would mean that most passengers will be required to pay a premium for the benefit of a fixed fare. While some passengers may be willing to pay a premium for the simplicity, certainty and convenience of a flat fare, some may not. The availability of a train service between the airport and the CBD at a fixed cost means that passengers can decide on their mode of transport after considering factors such as cost and convenience.

However, fares set at an upper level could also have an impact on the supply of taxis in and around the CBD. For example, if the flat fare was set at \$45, a passenger travelling from Central Station to Domestic Terminal would be charged this amount. However a passenger travelling from Foveaux Street in Surry Hills (approximately 200m from Central Station), and so charged at the metered rate, would pay approximately \$24. In this case, drivers would prefer the flat fare and so may be less willing to take journeys from these types of areas just outside the CBD zone.

Another option is to set fares at an 'average' or 'typical' level. Drivers would be no better or worse off for fares journeys that are consistent with the 'average' or 'typical level'. However, drivers would be worse off for individual journeys longer than the 'average' level and better off for individual journeys shorter than the 'average'. This could result in drivers being less willing to make journeys from areas of the CBD that are longer than the 'average'.

Difficulties establishing clear boundaries for the CBD zone

Unlike Manhattan, the Sydney CBD does not have clear geographic boundaries in all directions. The Sydney CBD has a clear boundary in the north and west, but is less clearly defined in the south and east. Difficulties in clearly defining the boundaries in a way that is obvious for passengers that are unfamiliar with Sydney can reduce the simplicity and certainty of a flat fare and even create more confusion for passengers than the current metered fare.

Flat fares are charged off-meter

Another drawback of flat fares is they would be charged 'off-meter'. This has the potential to create confusion for passengers and increase the potential of them being over-charged.

Drivers are currently required to turn the meter on for all trips. These meters are regularly checked to make sure that they reflect the regulated prices and accurately charge these. This ensures that passengers are charged the correct fare. Currently passengers have the option to negotiate fares **below** the metered rate.

Charging a flat fare 'off meter' would introduce a mixed system where all journeys to or from the airport from the CBD would not require the use of the meter, while all other journeys would. This could be more difficult for passengers to understand. Where passengers are unfamiliar with their rights (such as visitors and tourists), this opens up the possibility that passengers could be overcharged for their trips. For example, passengers may not be aware that fixed prices apply only between the airport and CBD making them more susceptible to paying a fixed charge above the metered rate.

4.3.3 Measures for minimising the disadvantages of flat fares

We have identified several measures available for minimising the disadvantages associated with a flat fare if a sufficient need for it was identified. These include:

- ▼ excluding tolls
- ▼ breaking the Sydney CBD into several zones
- ▼ applying the flat fare only at certain times of the day
- ▼ making the flat fare optional so that passengers can choose whether to pay via the meter or not.

While these measures can be successful in minimising the disadvantages of flat fares, they tend to come at the cost of a more complicated system and potentially erode the benefits of a simple and more certain fare structure.

Excluding tolls

Excluding tolls is one way of making a flat fare more cost reflective. For example, excluding tolls to and from the Domestic Terminal results in a smaller range of potential fares making it easier to set a flat fare that is closer to the costs associated with the journey. Passengers would be charged a flat fare that excludes tolls unless they are incurred such as the Eastern Distributor and the airport access charge.

Unfortunately, excluding tolls makes the application of the flat fare more complicated. Passengers that are unfamiliar with the system and the possible routes available may find it confusing as they may be required to pay more than the flat fare. In particular, the airport access charge would also mean that there would be different flat fares for the same route when taken in different directions.

Breaking the Sydney CBD into more than one zone

A zonal framework allows flat fares to be set at a more cost reflective level by breaking the CBD zone into several areas with different flat fares for each area. We note that a zonal framework is applied in Tokyo and Miami, although these zones operate over a larger area than the Sydney CBD.

A zonal framework still provides some certainty to passengers. However, it is not as simple to apply and communicate as a single flat fare:

- ▼ Visitors to Sydney would require assistance to work out which fare applies to their journey. In the case of Miami, a website provides city maps and fare tables to allow passengers to inform themselves ahead of travel.
- ▼ Different arrangements would be required at the airport. For example in Tokyo, passengers are directed to different queues at the airport depending on which zone they are going to.
- ▼ It introduces an additional disadvantage of defining boundaries between zones and creates extra boundary effects, especially where fares vary significantly between the zones.

Making the flat fare optional

Making the flat fare optional is another way of addressing potential drawbacks such as the lack of cost-reflectivity and difficulties associated with defining geographical boundaries. An optional fare would allow the passenger to opt out of the flat fare should they choose (for example if they considered the metered fare to be lower than the flat fare).

However, we consider that an optional system also has drawbacks. While this system may suit experienced commuters, it would add further complexity for visitors. In addition, we note that this framework would unfairly disadvantage drivers should passengers continually choose the fare option that minimises the driver's takings.

Applying the flat fare only at certain times of the day

We also considered the option of applying a flat fare at certain times of the day only, for example during the peak AM period. By implementing a flat fare at certain times of the day such as this peak time, the flat fare framework has the potential to capture the bulk of airport transfers while allowing metered fares at non-peak times. The flat fare could be set at a level that more closely reflects the travel time and preferred routes at this time of the day.

However, we consider that a flat fare that applies only at certain times of the day is also more difficult for passengers to understand than the current fare structure. Passengers would need to be familiar with the times when the flat fare applies which may be more difficult for those that are unfamiliar with the city (such as tourists). In addition, drivers may be unwilling to take journeys to and from the airport during periods of the day when the flat fare applies.

IPART seeks comments on the following

- 8 Do the advantages of a flat fare outweigh the disadvantages?
- 9 If there was a sufficient need to introduce flat fares, what are the most effective ways of addressing the disadvantages without sacrificing simplicity In particular:
 - At what level should the flat fare be set?
 - Should the CBD area be broken into more than one zone?
 - What geographical boundaries should be used to define the CBD zone? Should it include secondary areas like North Sydney or Kings Cross?
 - Should the flat fare include or exclude additional fees (such as the airport access fee , booking fee and Eastern Distributor toll)
 - Should the flat fare be optional or only apply at certain times of the day?

5 Measures for dealing with fuel price volatility

In 2008, the NSW Taxi Drivers' Association asked for a \$1 levy to be added to every taxi fare in response to high and increasing LPG prices. The Minister asked us to consider this matter as part of the 2008 fare review. After looking at this issue in detail we introduced mid-year reviews of LPG prices, to be done each December. Under these reviews we would recommend a mid-year change to maximum taxi fares if LPG prices were found to have changed significantly (10% or more) in the 6 months following the most recent annual fare review.

We've now completed 2 mid-year LPG reviews and as a result, have made 2 recommendations to change taxi fares - one fare increase and one fare reduction. On both occasions LPG prices had changed only slightly more than 10% and the Director General of NSWTI decided that no fare change should be made. In response to our 2009 mid-year review, the Director General asked us to reconsider whether mid-year reviews are warranted.

As part of this year's fare review we will review the need for continuing to include a measure to address LPG price volatility and if it is necessary, what such a measure should look like.

5.1 Why we included a mid-year LPG price review in 2008

Just before the 2008 fare review commenced, LPG prices had risen significantly over a sustained period and drivers were seeking additional compensation as a result. When we examined this issue in detail we found that LPG was such a significant part of drivers' costs that high volatility in LPG prices through the year could have a significant impact on their cashflow (Box 5.1 provides the original cashflow analysis from our 2008 final report).

If taxi fares were not regulated, the industry would be able to respond to changes in input prices by raising or lowering their fares to ensure that they can continue to run a viable business. Where maximum fares are regulated, the industry is unable to respond in this way. This means that they benefit from reductions in input prices but conversely are required to absorb increases in input prices - essentially to manage cost changes during the year through their cashflow.

Box 5.1 Impact of fuel prices on taxi drivers' cashflow

Fuel costs represent between 7% to 10% 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 5.1 presents a notional weekly cashflow for a typical taxi under different fuel prices (with fare revenue and all other costs held constant).

Table 5.1 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.

Source: IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008, p 91.

The Taxi Cost Index approach for calculating fare increases compensates drivers and operators for costs they experienced over the past year (including actual fuel prices). However, this does not occur until the annual fare change in July. While we found that this is a reasonable approach where input prices are relatively stable, large fluctuations in input prices could have a significant impact on the cashflow position of taxi drivers while they wait for fares to 'catch up'. We noted that LPG prices can be very volatile; both up and down, and as a result, decided that additional measures to address this problem are needed.

The mid-year review was introduced as a simple and practical means of addressing the cashflow impact of volatile LPG prices within a regulated fare environment. Having examined a number of different options for addressing this issue, we concluded that the mid-year review approach was the most appropriate option.¹⁵ The process for the mid-year review is simple and it can be completed by IPART with limited resources and no involvement from stakeholders. It is therefore a low cost approach to dealing with this issue.

The mid-year review also serves the purpose of providing NSWTI with valuable information on LPG price changes on a regular basis. In addition, the mid-year fuel review calculates the impact of LPG price changes on average fares, so that NSWTI is in a better position to decide how best to respond to significant LPG price fluctuations.

¹⁵ IPART *2008 Review of Taxi Fares in NSW, Final Report and Recommendations*, June 2008.

5.2 Do we still need measures to address LPG price volatility?

Since the 2008 review, stakeholders have not raised further concerns about LPG prices. This is likely to be because the rapid increase and sustained high LPG prices apparent in 2008 have not been repeated (Figure 5.1). Nevertheless, the underlying reasons for putting in place the mid-year fare review remain. LPG prices still have the capacity to be volatile and to impact the cashflow of taxi drivers under a fixed fare that changes only once a year.

Figure 5.1 Sydney LPG prices since 2003 (c/L)



Data source: Fueltrac, monthly prices for LPG in Sydney.

Given that the underlying volatility of LPG prices has not changed, we continue to believe that measures are needed to address this issue. In our view, it is not appropriate to only look at this issue in times of industry concern regarding high prices. We designed the mid-year review to protect drivers in times of significant rises in the price of LPG and to benefit passengers in times of significant falls. This approach requires us to look at LPG prices every year whether the industry is facing upward price pressures or not.

In the absence of specific measures to address price volatility NSWTI could still ask us to undertake an additional review or bring forward our annual fare review in response to significant price volatility.¹⁶ This option may provide a safety net for taxi drivers. However, we have a number of concerns with relying on this approach, including that:

- ▼ it provides less certainty because it is not automatic, as it requires the approval of NSWTI and the Premier, which cannot be guaranteed

¹⁶ We make recommendations under an arrangement with NSWTI (under section 9 of the IPART Act).

- ▼ it is likely to require the industry to monitor fuel prices and then ask NSWTI to take this action, which means it would tend to raise fares in periods of high LPG prices without delivering fare reductions in periods of low LPG prices
- ▼ it is likely to take longer to arrange and complete than an automatic mid-year review and as such, may be less responsive to rapid changes in price.

IPART seeks comments on the following

10 Is it necessary for us to include a mechanism to address fuel price volatility?

5.3 Options for addressing LPG price volatility

As noted above, when we considered this issue in 2008, we felt that the mid-year review was the best option for addressing LPG price volatility. However, there are several options available including:

- ▼ adding a levy to fares in times of high prices
- ▼ including forecast LPG prices in the TCI
- ▼ using a 'month on month' or 'quarter on quarter' measure instead of an annual average in the TCI
- ▼ recommending fare changes whenever fuel prices move significantly
- ▼ retaining a mid-year review – as is, or with a modified threshold to trigger fare changes, or with discretion of us to decide whether to recommend fare changes having regard to trends in LPG prices.

These options are discussed in more detail below.

5.3.1 Specified \$ levy on every fare

In 2008 the NSWTDAs proposed a \$1 levy be added to every paid taxi trip during times of high LPG prices – an increase of around 5% on the average fare.

\$1 is a significant increase in fares. Based on our calculations, LPG prices would need to rise by over 60% in order to justify this value. In theory it could be introduced at a value that reflects the average fare change so that it does not overestimate the additional fuel cost drivers would incur. For example, a 50 cent levy may be appropriate for a 30% increase in LPG prices. However, there are a number of drawbacks with this approach.

Being a fixed dollar amount that does not vary by the distance a passenger travels, the levy is not related to the costs incurred. This means it would have a greater impact on the cost of shorter trips, even though it is longer trips that use more fuel. It also results in passengers paying more in times of high prices but not receiving a corresponding reduction in fares when LPG prices are low.

In addition, the levy would occur 'off-meter'. This is potentially difficult for passengers to understand, makes it difficult to monitor compliance and may make it more difficult to remove it once LPG prices have fallen again.

5.3.2 Including forecast LPG prices in the TCI

The NSW Taxi Council suggested that we could incorporate LPG forecasts into fares. In our view, this does not address the issue of fuel price volatility, as it retains a single fare change based on a single estimate of average LPG prices over the year. The key issue is that fares change only once a year but LPG prices are fluctuating daily.

In addition, the inclusion of forecasts significantly increases uncertainty around the fare change and introduces forecasting error into the TCI. In order to ensure that drivers were compensated for their actual costs, we would need to adjust the TCI every year to take into account any deviation in actual prices from the value we forecast at the previous year's review.

5.3.3 Using a 'month on month' or 'quarter on quarter' measure instead of an annual average in the TCI

Currently the annual change in fuel costs in the TCI is measured using the average LPG price over the most recent year divided by the average LPG price over the previous year. This approach means that the TCI reflects the price of LPG on every day of the year and that each of these daily prices is given equal weight in the TCI. It ensures that daily fluctuations in LPG prices are taken into account in the TCI calculation.

However, there are alternative approaches. For example, we could measure the change in fuel prices using the average price for the most recent month or quarter compared with the average price for the month or quarter of the previous year. This approach would give more weight to recent LPG prices. It would make the index more responsive to changes in LPG prices that occur in the last month or quarter.

The main drawback of this approach is that it does not pick up daily volatility in prices through the year. For example, periods of high or low prices during the year would not be captured by the TCI at all. In addition, this approach does not compensate drivers for their actual costs over the previous year, and therefore, would treat LPG prices differently from other cost items. It is also likely to result in more volatile index outcomes (generally, the shorter the averaging period, the less stable the outcome).

5.3.4 Recommending fare changes at any time of significant LPG price changes (up or down)

Another alternative is to make a fare recommendation any time LPG prices have changed significantly during the year. This is likely to provide the timeliest alternative for drivers as the fare change could occur whenever it is needed. However, it would still require us to determine what an appropriate threshold is (for example, what would constitute a significant change).

In addition, the administrative costs of this option are significant as it would require ongoing monitoring of LPG prices. It also creates uncertainty around fare change dates and may result in multiple fare changes in any year (both up and down). This is not beneficial to either the industry or passengers.

5.3.5 Mid-year review

We initially decided to include a mid-year (6 month) review of LPG prices because it addressed our key concerns, would benefit taxi drivers in periods of price increases and also benefit passengers in periods of LPG price decreases, would not result in mid-year changes except in periods of substantial cost changes, can be applied without undertaking public consultation and retains certainty around fare change dates.

The mid-year review is a simple means of addressing the cashflow impact of volatile LPG prices. It also ensures that prices are monitored in between reviews and that NSWTI is notified when prices have changed significantly. It provides the further benefit of calculating the impact of LPG price changes on fares, so that NSWTI is in a better position to decide how best to respond.

The process for the mid-year review is simple and it can be completed by IPART with limited resources. It is therefore a low cost approach to dealing with this issue.

IPART seeks comments on the following

11 Is a mid-year review the best way of addressing LPG price volatility?

Level of the threshold that triggers a fare recommendation

However, when we established the mid-year review, we did not believe that it would result in regular mid-year fare changes. We included a materiality threshold of 10%¹⁷ as a means of picking up large fluctuations in LPG prices only. At the time we expected that a fare change recommendation would not be triggered often (Table 5.2).

¹⁷ That is, that we would only make recommendations that fares should change if LPG prices had changed by more than 10%.

Table 5.2 Six monthly fuel changes in Sydney Metropolitan region – 2003-2008

Month	Sydney cost (LPG c/L)	Sydney 6 monthly change	Rest NSW cost (LPG c/L)	Rest NSW 6 monthly 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%	53.2	
November 2005	54.2	23.7%	60.0	12.9%
May 2006	51.0	-5.9%	63.0	5.0%
November 2006	49.8	-2.4%	61.7	-2.2%
May 2007	53.5	7.4%	61.6	-0.1%
November 2007	60.5	13.1%	65.5	6.3%
May 2008	66.2	9.4%	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. IPART, *2008 Review of Taxi Fares in NSW, Final report and recommendations*, June 2008, p 97.

We decided that 10% was an appropriate threshold because we felt that the impact of such a change on the weekly cashflow of drivers would be significant. Currently the TCI includes a weekly cost of fuel of \$304 per week (2009).¹⁸ Drivers must pay for this out of the fares they collect, which we estimate to be around \$4,000.¹⁹ Table 5.3 shows the impact of changes in LPG prices on the weekly cost to drivers.

Table 5.3 Impact of different changes in LPG prices on driver costs and fares

% change in LPG prices ^a	Extra cost to drivers per week (\$)	Extra fare needed per paid trip to cover costs (\$)	Extra fare per paid trip (inc cost of meter change)	% change on average fare
10%	30.38	0.16	0.19	0.9%
15%	45.57	0.24	0.27	1.2%
20%	60.75	0.32	0.35	1.6%
30%	91.13	0.48	0.51	2.3%
-30%	-91.13	-0.48	-0.45	-2.1%
-20%	-60.75	-0.32	-0.29	-1.3%
-15%	-45.57	-0.24	-0.21	-1.0%
-10%	-30.38	-0.16	-0.13	-0.6%

^a Deviation in LPG prices compared with the LPG price of 60.8c per litre currently included in the TCI as the average price for the 11 months to 30 April 2009.

¹⁸ Based on an average LPG price of 60.8c/L and 500 litres of LPG used – see IPART, *2008 Review of Taxi Fares in NSW – Final Report and Recommendations*, June 2008 for further information.

¹⁹ Note that out of these fares, drivers must pay all costs, including their own labour costs and a pay-in to the operator.

While we still consider that a 10% increase in fuel prices would have a significant impact on drivers, we accept that the fare change resulting from such a change is incrementally quite small – an extra 19 cents or 0.9% on the average fare (including the cost of the extra meter change). To the extent that the Director General of NSWTI has concluded that these fare changes are not worth making, there may be a case to raise the threshold.

A higher threshold for fare changes provides less protection for drivers, as it reduces the likelihood that additional fare changes will be recommended. Based on the information in Table 5.2, in the urban region a 20% threshold would have been reached only twice since 2003, and a 30% threshold only once. Had either of these thresholds been in place since 2008, no additional fare changes would have been recommended.

IPART seeks comments on the following

- 12 If we keep the mid-year review of LPG prices, should we retain the 10% threshold for fares changes, or increase it so that we recommend fares only if LPG prices change by at least 20%, or use some other value?

What if LPG prices have already changed direction

On both occasions on which prices were found to have changed by more than 10% and as a result we recommended a mid-year fare change, fuel prices had already begun moving in the opposite direction – that is, they had reached either the top or bottom of the cycle and begun to again fall or rise. This resulted in a situation where higher/lower taxi fares were recommended than would be justified based on the current costs being faced by the industry. This has been another factor in the Director General's decision not to adopt our recommendations.²⁰

This is due to the nature of the cost index approach, and currently occurs as part of the annual review process anyway. It is more obvious in relation to LPG prices because those prices tend to be cyclical and can involve significant movements up or down. It is important to recognise that any higher or lower fares should be seen as compensation for costs incurred in the past 6 months so that drivers do not have to wait a full year before they are compensated for past costs.

As a general rule we believe that mid-term reviews should be simple and limit discretion for IPART to make additional changes. However, the TCI's focus on historical costs potentially creates a situation where a decision made using a non-discretionary mechanism may not result in an appropriate outcome.

²⁰ Letter from Director General of NSWTI (formerly the Ministry of Transport) in response to 2008 mid-year review of taxi fares recommendations, 23 December 2008.

We could address this issue by considering a mid-year review that requires us to exercise judgment regarding whether or not to recommend/determine fare changes in the event that the threshold is met. This would allow us to consider fuel price trends as well as the actual change in prices over the 6 month period. However, there are a few problems with this approach.

First, it would increase the uncertainty surrounding operation of the mechanism. We have considered whether greater certainty may be placed around the situations in which we would or would not support a fare change but have been unable to identify clear guidelines.

Second, if an element of discretion is introduced together with a lack of clarity on the information that would be used to make the decision, we consider that some level of public consultation would be required at the mid-year review. This also increases the administrative costs associated with the mid-year review process and is likely to delay any fare change recommendations.

IPART seeks comments on the following

- 13 Are there benefits from us looking at cost forecasts in order to decide whether to recommend a mid-year fare change? If so, do those benefits outweigh the drawbacks of doing this?



Appendices

A Terms of Reference

INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 TAXI INDUSTRY FARE REVIEW

I, Nathan Rees, Premier, pursuant to Section 9(2) of the *Independent Pricing and Regulatory Tribunal Act 1992*, approve the Independent Pricing and Regulatory Tribunal entering into an arrangement with the Ministry of Transport for a period of one year from the date hereof to provide services to the Ministry that are within its area of expertise. The services to be provided by IPART are the conduct of an investigation into, and the preparation of a report concerning, fares for taxi services regulated under the *Passenger Transport Act 1990*.

In providing these services, the Tribunal should consider:

- i) the cost of providing the services concerned;
- ii) the protection of consumers from abuses of monopoly power in terms
- iii) prices, pricing policies and standards of service;
- iv) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers;
- v) the impact of pricing policies on borrowing and capital requirements and,
- vi) in particular, the impact of any need to renew or increase relevant assets;
- vii) the need to maintain ecologically sustainable development;
- viii) the social impact of the recommendations;
- ix) 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
- x) the effect of any pricing recommendation on the level of Government funding.

The services to be provided by the Tribunal will include a public consultation process through which the Tribunal will invite submissions from the NSW Taxi Council, taxi industry participants, and other stakeholder groups including the general community.

The services are to be provided through the provision of a final report to the Ministry of Transport by 30 June 2010.

The Hon Nathan Rees MP
Premier

Dated at Sydney... 8/9 2009

B Request to consider flat fares between the airport and CBD



MINISTRY OF TRANSPORT

Level 21, 227 Elizabeth Street Sydney 2000
GPO Box 1620 Sydney 2001
Telephone 9268 2800 Facsimile 9268 2900
Internet www.transport.nsw.gov.au
ABN 25 765 807 817



Mr J Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Mr Cox

Consideration of Flat Fares for Some Taxi Journeys

I refer to the attached media release by the Acting Minister for Transport, the Hon Michael Daley MP, on 27 August 2009, announcing a proposal to investigate flat taxi fares on some Sydney routes.

Given IPART's expertise in the analysis of taxi industry costs and implications for fares for passengers, drivers and operators, I am writing to seek a detailed consideration of this issue as part of the 2010 review of fares.

In the first instance, consideration is sought of a flat fare for two routes:

- Between the Sydney CBD (from Central Station to Circular Quay) and the International Airport terminal; and
- Between the Sydney CBD (from Central Station to Circular Quay) and the Domestic Airport terminal

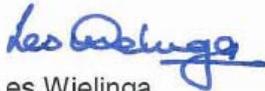
In undertaking the review, it would be desirable for consideration to include the following key issues:

- potential for disadvantage to either passengers or drivers if the flat fare is higher or lower than the metered fare at the time of travel;
- whether the flat fare would be optional or applicable at certain times of day, and the potential for drivers to avoid such journeys if the flat fare is lower than the metered fare, particularly in peak periods;
- reference to costs including tolls and night rates;

- implications of a flat fare occurring 'off-meter';
- consideration of similar schemes internationally; and
- how a flat fare could operate should government decide to proceed.

If you require further information in relation to this issue, please contact Karen Wyatt, Senior Policy Officer, Transport Policy and Reform at NSW Transport and Infrastructure on telephone (02) 9268-2845.

Yours sincerely



Les Wielinga
Director General

Encl. 15.09.09

C Calculating the change in costs using the TCI

This Appendix describes how the Taxi Cost Index (TCI) is calculated and how we used it to develop our preliminary estimates.

C.1 How the Taxi Cost Index works

The TCI incorporates the major cost items involved in providing taxi services in NSW to measure, in percentage terms, how much the overall cost of providing the service has changed in the 12 months since our last review to enable us to determine an appropriate fare change. These major cost items include:

- ▼ labour costs (of drivers and operators)
- ▼ fuel costs
- ▼ network fees
- ▼ license plate lease costs
- ▼ vehicle costs (including maintenance, insurance, vehicle lease costs)
- ▼ other costs.

Weightings

Each item is weighted according to the proportion of the overall cost of providing the service it represents. In this way the TCI builds up the cost structure of running a typical taxi.

Initially the weightings were established by surveying the industry and working out a representative set of costs. This is reviewed every 5 years or so. In between, the weightings are adjusted each year to account for the change in relative costs between the cost items - costs that increased by more than the average this year will have a higher weighting next year and costs that increased by less than the average, or fell, this year will have a lower weighting next year. Adjusting the weightings in this way ensures that the index continues to reflect the costs faced by operators from year to year.

Inflators

We estimate the change in each cost item using a cost 'inflator', which is expressed as a percentage change. Each cost item has its own inflator, which aims to track the movement in this particular cost item over time. Wherever possible, we select inflators that are based on independent and verifiable data that is publicly available and that provide a reasonable estimate of cost changes for operators.

There are separate TCI's for urban and country taxis. Each TCI includes the same cost items but the cost items are weighted differently to reflect the different cost structure of urban and country taxis. Table C.1 shows the weightings and inflators that were established at the end of the 2009 review to be used in the 2010 review.

Table C.1 Current weightings and inflators for cost items for the urban and country TCIs

Cost item	Weighting (%of overall cost)		Inflator
	Urban TCI	Country TCI	
Driver costs			
Notional drivers' wages	39.0	42.0	WPI (productivity adjusted)
Notional self-funded entitlements	1.4	6.3	WPI (productivity adjusted)
Driver superannuation	4.0	4.3	WPI (productivity adjusted)
LPG fuel	7.2	-	FUELtrac LPG daily price data
<i>Total drivers' costs</i>	<i>54.1</i>	<i>54.3</i>	
Operator costs			
Operators' salary equivalent	6.8	7.4	WPI (productivity adjusted)
Driver entitlements in the Contract Determination	4.4	-	IRC determination cost
LPG fuel	-	6.9	FUELtrac LPG daily price data
Maintenance costs	4.8	4.1	CPI (motor vehicle repair and servicing)
Plate lease costs	13.7	11.4	Quotes provided by NSW Taxi Council
Insurance	7.7	4.7	CPI (insurance services)
Vehicle lease payments	2.3	2.5	CPI (motor vehicles)
Network fees	3.2	4.7	Weighted average of urban network fees or CPI
Other operators' costs	3.0	4.1	CPI
<i>Total operators' costs</i>	<i>45.9</i>	<i>45.7</i>	
TOTAL	100.0	100.0	

Calculating the change in costs

At the start of each review, we establish the relative weighting for each cost item in the cost index, and the value of its inflator. We then multiply the weighting by the inflator value for each cost item individually, to calculate the change in overall costs that cost item represents (ie, the contribution of any increase or decrease in the cost item since the last review to the overall change in the cost of providing the service). The sum of all these provides the increase in overall costs faced by the industry. This is the total change in the cost index.

C.2 How individual cost items were changed in our preliminary estimates

We have calculated a preliminary increase in costs using the most up to date data available for each inflator. The inflator data used will be updated before our final recommendation is made.

Individual cost items in the TCI were inflated by applying the relevant inflator to last year's weighting for each cost item. The sections below provide further detail of these changes and our rationale for using specific cost items and inflators.

C.2.1 Labour cost items

We have inflated the labour cost items by the movement in the Wage Price Index (WPI) as measured by the average index value for 4 quarters to 31 December 2009 divided by the average index value for the 4 quarters to 31 December 2008. We calculated the value of this inflator to be 3.5%. The TCI will be updated to reflect the annual change in the WPI to March 2010 before our final recommendation is made.

The labour cost items in the country TCI include:

- ▼ three driver costs (notional drivers' wages, notional drivers' self-funded entitlements, and drivers' superannuation)
- ▼ one operator cost (operators' salary equivalent, which includes provision for operators' entitlements and superannuation).

The labour cost items in the urban TCI include the same as the above, as well as an additional operator cost: driver entitlements in the contract determination. This is because in urban areas, taxi operators are legally obliged under an Industrial Relations Commission contract determination to provide permanent full-time drivers with paid annual and sick leave.²¹ Casual or part-time drivers in urban areas and all drivers in country areas must self-fund their entitlements.

²¹ The rationale behind this division of costs between driver and operator is covered in detail in our 2009 Review of taxi fares in NSW, p 17.

Scope for productivity improvements

Usually we would adjust the labour component of the TCI for expected improvements in productivity over the coming year. Traditionally we have developed this estimate by taking a conservative view of the scope for gains in productivity in the general economy.

In December 2009, the ABS released the 2008/09 National System of Accounts with updated information on productivity in the broader economy (see Table C.2). That data shows mixed results. Productivity in the economy fell under most measures but rose slightly for the market sector (measured by GDP per hour worked). Labour productivity (GDP per unit of labour input) per hour worked fell by 0.3% and after being adjusted for quality, by 0.4%.

Over the past 5 years, the average gains in labour productivity were 0.9% and 0.7% respectively (0.6% and 0.7% lower than the 5-year averages we considered in 2009). Our preliminary estimates do not include any adjustment for productivity.

Table C.2 Productivity measures – 2008/09 National System of Accounts

	2004/05	2005/06	2006/07	2007/08	2008/09	5-year average	Last year's 5-year average
Gross value added per hour worked:							
Transport & storage	2.8	2.9	3.7	-1.5	-5.6	0.5	1.0
All industries	0.4	0.7	1.1	1.1	0.1	0.7	1.1
Other measures:							
Market sector productivity (GDP per hour worked)	-0.1	1.4	1.0	1.3	0.3	0.8	-
Labour productivity per hour worked	0.0	2.1	1.1	1.5	-0.3	0.9	1.5
Labour productivity per hour worked (quality adjusted)	-0.2	1.9	0.9	1.4	-0.4	0.7	1.4
Capital productivity	-1.6	-2.2	-1.1	-2.0	-5.3	-2.4	-1.6
Multifactor productivity per hour worked	-0.8	0.1	0.0	-0.1	-2.7	-0.7	0.1
Multifactor productivity per hour worked (quality adjusted)	-0.9	0.0	-0.1	-0.2	-2.8	-0.8	0.3

Source: ABS Australian System of National Accounts, 5204.0, 2008/09 – Tables 1, 13 and 15.

C.2.2 LPG fuel

In line with past practice, we have inflated the LPG fuel cost item using FUELtrac data on the daily price of LPG fuel to get a preliminary estimate for the change in fuel costs. We used the latest available data on the daily average fuel price for the 9 months from May 2009 to January 2010, compared with the daily average fuel price for the 11 months from June 2008 to April 2009.²² Using this data gave us a preliminary estimate of:

- ▼ 9.7% decrease in fuel costs for urban areas
- ▼ 10.5% decrease in fuel costs for country areas.

The value of the inflator for urban areas reflects the average daily price data from Sydney, Wollongong and Newcastle. This is consistent with our approach last year.

The value of the inflator for country areas reflects the average daily price data from all towns in the country fare zone except for 5 towns where FUELtrac advised that the data is collected sporadically or is not checked and 2 towns with only one taxi.²³ Again, this is consistent with our approach last year.

IPART has used FUELtrac data to inflate the LPG fuel cost item of the TCI since 2006. Due to volatility in the price of LPG, we use the most recent prices available at the time of making its decision. Last year, the most recent prices available at the time of our final decision were those to 30 April. For this preliminary estimate, the most recent data available was to January 2010. We will update our estimate to include the most recent data before making our final recommendation in June.

C.2.3 Network fees

We have inflated the network fees cost item by the weighted average change in urban network fees over the year to March 2010, using data provided by urban taxi networks. Based on the data available (which was for 8 out of the 12 urban networks) IPART calculated that the value of this inflator was 2.3%.

As a preliminary position we have used industry provided data to estimate the change in network fees over the review period. However, as detailed in Section 3.2.1 we are seeking feedback from stakeholders and interested parties on whether CPI would be a more appropriate inflator for this cost item. We will obtain data from all networks before finalising our decision.

²² Although the time periods are different, the use of a daily average takes this into account.

²³ Hay, Yass, Cowra, Coonabarabran, Glen Innes, Inverell and Narrabri have been excluded.

C.2.4 Licence plate lease costs

A NSW taxi-cab licence entitles the holder to operate a taxi in line with any specific conditions placed on that licence.²⁴ We have inflated the cost of leasing a taxi plate licence by last year's increase of 8.2% to get a preliminary view of the changes in costs. We will update this inflator with data provided by the NSW Taxi Council on the cost of leasing taxi licences from a sample of taxi networks before a final recommendation is made.

Last year we recommended that the Ministry for Transport (now NSWTI) begin collecting data on the value of all taxi licence leases entered into in NSW. This has not occurred. However, we hope that recent changes to the licensing regime may provide a public and independent source of data for use in future reviews.

C.2.5 Maintenance costs

We have inflated the maintenance cost item by the change in the CPI – motor vehicle repair and servicing (as measured by the average index value for the 4 quarters to 31 December 2009 divided by the average index value for the 4 quarters to 31 December 2008). The preliminary value of this inflator was 2.9%. The TCI will be updated to reflect the annual change in the CPI – motor vehicle repair and servicing to March 2010 before our final recommendation is made.

This approach for inflating the maintenance cost item is consistent with the approach it used last year. We don't propose to make any changes as part of this year's review.

C.2.6 Insurance costs

IPART inflated the insurance cost item by the change in the CPI – insurance (as measured by the average index value for the 4 quarters to 31 December 2009 divided by the average index value for the 4 quarters to 31 December 2008). The preliminary value of this inflator was 10.1%. The TCI will be updated to reflect the annual change in the CPI – insurance to March 2010 before our final recommendation is made.

This approach for inflating the insurance cost item is consistent with the approach it used last year. We don't propose to make any changes as part of this years review.

²⁴ In addition to holding a taxi-cab licence, an operator of a taxi service must hold accreditation as a taxi operator and belong to a taxi network and any driver must be an authorised taxi driver.

C.2.7 Vehicle lease payments

IPART inflated the vehicle lease payments cost item by the change in the CPI – motor vehicles (as measured by the average index value for the 4 quarters to 31 December 2009 divided by the average index value for the 4 quarters to 31 December 2008). The preliminary value of this inflator was 0.3%. The TCI will be updated to reflect the annual change in the CPI – motor vehicles to March 2010 before our final recommendation is made.

This approach for inflating the vehicle lease payment cost item is consistent with the approach it used last year. We don't propose to make any changes as part of this year's review.

C.2.8 Other costs

IPART inflated other driver costs and other operator costs by the change in the Sydney CPI (as measured by the average index value for the 4 quarters to 31 December 2009 divided by the average index value for the 4 quarters to 31 December 2008). The preliminary value of this inflator was 1.8%. The TCI will be updated to reflect the annual change in the Sydney CPI to March 2010 before our final recommendation is made.

This approach for inflating the other cost item is consistent with the approach it used last year. We don't propose to make any changes as part of this year's review.

D Service quality changes

The terms of reference for this review require that we consider service standards for taxi services in NSW. As regulator of taxi services, NSWTI collects a range of data relating to network performance and customer feedback. In previous years, NSWTI has provided:

- ▼ Information on all Sydney networks' performance against their key performance indicators (KPIs).
- ▼ Information on customer feedback to all Sydney networks.
- ▼ Information on Sydney wheelchair accessible taxis' performance against Zero200 KPIs.²⁵

While performance benchmarks have been set for both urban and country taxi services, we receive information for urban networks only. By analysing this data we are able to make findings relating to the changes in overall service and quality standards for urban taxis over time.

We are currently seeking updated service quality data from NSWTI and will consider recent changes in service standards before making our final recommendations on changes to taxi fares. In the meantime, the sections below provide a summary of the service quality data collated for the *2009 Review of Taxi Fares in NSW* to provide stakeholders with a picture of the issues and trends that have emerged in service quality over the past few years.

D.1 Overview of service quality changes to March 2009

In examining data for the 12 month period to March 2009, we found an improvement in overall service and quality standards. Compared to the previous 12 months, there was:

- ▼ an improvement in network performance as measured by KPIs for taxi pick-up times, customer ring-backs and the number of times no cab is available to fulfil a booking
- ▼ a decrease in customer complaints of 9.9%
- ▼ an increase in customer compliments of 0.8%

²⁵ The Zero200 network provides radio booking services for wheelchair accessible taxis.

- ▼ an improvement in wheelchair accessible taxi performance as measured by Zero200 KPIs.

D.2 Standard taxi services in urban areas to March 2009

We found that service standards for standard taxis in Sydney in 2009, as measured by network performance against KPIs and customer feedback, had improved compared with the 12 months to March 31, 2008. The sections below summarise previous findings relating to performance against network KPIs and customer feedback.

D.2.1 Network Performance

Network performance is measured through a series of KPIs and assessed against standards set by NSWTI. The current standards are summarised in Table D.1.

Table D.1 Taxi network KPIs and standards

KPI	Standard
Call Centre	
Failed/abandoned calls	No more than 5% of telephone calls received in a month
Calls answered within 1 min	85%
Calls answered within 2 min	98%
Service Delivery	
Pick up within 15 min	85%
Pick up within 30 min	98%
Pick up within 60 min	99%
No car available (reliability)	No more than 3% of bookings in a month

Source: NSWTI.

Phone call answering times

In aggregate, Sydney networks²⁶ met the standards for phone call answering times last year: 98% of calls were answered within one minute and 99% were answered within 2 minutes. This was an improvement since 2008, where 93% of calls were answered within one minute and 98% answered within 2 minutes. This improvement may be partly due to a decrease in the number of calls received as well as to the expanded use by the taxi networks of voice recognition technology to answer phone calls.

NSWTI began measuring the number of failed/abandoned calls in July 2008. Sydney networks easily met the standard for abandoned calls last year: only 1.7% of the total number of phone calls failed or were abandoned before being answered.

²⁶ All networks except Zero200.

Passenger pick-up times

In total, the Sydney networks also met the standards for passenger pick-up times last year: 93% of taxis arrived within 15 minutes, 99% within 30 minutes and 100% within 60 minutes of a booking being made. As Table D.2 shows, this suggests a small improvement since 2007/08, but little improvement compared to 2006/07.²⁷

Table D.2 Sydney networks booked pick-up time performance, 2007-2009

	Total booked pickups (000)	Pick up in less than 15 minutes (%)	Pick up in less than 30 minutes (%)	Pick up in less than 60 minutes (%)
2006/07	9,415	92.2	99.2	100.0
2007/08	9,357	91.4	98.9	100.0
2008/09	8,752	92.9	99.2	100.0

Source: NSWTI data.

Table D.3 below examines the networks' performance in relation to passenger pick-ups in greater detail.

Table D.3 Comparison of pick-up times as a proportion of total pick-ups made and as a proportion of bookings required – year to 31 March 2009

	< 15 minutes	15-30 minutes	30-60 minutes	>60 minutes	No pickup
Total pickups (%)	92.9	6.3	0.8	0.0	n/a
Total bookings (%)	63.8	4.3	0.5	0.0	31.3
Bookings required (%)	84.4	5.7	0.7	0.0	9.1

Note: Booking required is equal to total bookings less passenger no shows (M3s) and bookings offloaded.

Source: NSWTI.

Other KPIs affecting passengers' taxi experience

Table D.4 summarises the networks' performance against other KPIs that IPART considers directly affect passenger experience. Performance against these KPIs is likely to affect whether passengers are picked up by booked taxis on time, or need to ring back to confirm their booking or obtain a taxi via a street hire.

²⁷ Note that the KPI definitions changed slightly as a result of the new network standards.

Table D.4 Changes in performance measures between past review periods

Measure	2007	2008	2009	Change (%)	
				Since 2007	Since 2008
Number of bookings requested (000)	13,259	13,331	12,736	-3.9	-4.5
Total pickups (000)	9,415	9,357	8,752	-7.0	-6.5
Total pickups as a proportion of bookings required (%)	71	70	69	-3.2	-2.1
Number of No Car Available's (000)	199.8	236.9	199.4	-0.2	-15.8
Number of ring backs (000)	619.6	683.2	574.1	-7.3	-16.0

Note: Figures are for the year ending 31 March.

Source: NSWTI.

The decrease in bookings requested and pickups is consistent with the observations of stakeholders that economic conditions had reduced the demand for taxi services. We considered that this was also likely to be a factor in the reduction in instances of no car available, as the number of taxis has not reduced in line with the reduction in booked taxi jobs.²⁸

The reduction in the number of ring backs suggested that taxi service pick-up times were more reliable, as fewer passengers need to call networks multiple times to confirm the status of their bookings.

These figures, when coupled with the improvements in phone call answering times and pick up times, suggest an improvement in taxi performance as experienced by passengers over the past year for Sydney networks as a whole.

D.2.2 Customer feedback

As the complaints and compliments data presented by the Customer Feedback Management System (CFMS) is obtained through direct feedback from passengers, IPART considers all data obtained from the CFMS relevant to end user experience.

For the year to March 2009, CFMS data showed an overall decrease in the number of complaints compared with the same period of 2008. In total, 6,659 complaints were recorded in 2009 compared 7,393 in 2008, which is a reduction of 9.9%. This follows a decrease in complaints of 1.7% in the previous review period. As well as the decrease in complaints overall, the most common complaints identified in the 2008 review also decreased.

Over the same time period, the number of compliments increased from 516 to 520, an increase of 0.8%.

²⁸ While it is not possible to conclude that the reduction in bookings reflects an overall reduction in demand for taxi services, it is suggestive of a decline in demand. Submissions also note a decline in demand for taxi services.

Table D.5 and Table D.6 provide a summary of the changes in complaints and compliments received over the past 3 years.

Table D.5 Summary of complaints and compliments compared to the previous year for urban taxis

	2007	2008	2009	Change (%)	
				Since 2007	Since 2008
Complaints	7,524	7,393	6,659	-11.5	-9.9
Driver - Total	5,321	5,229	4,672	-12.2	-10.7
Driver - Serious	134	142	123	-8.2	-13.4
Driver - Other	5,187	5,087	4,549	-12.3	-10.6
Fares	1,159	1,269	1,165	0.5	-8.2
Network	790	694	637	-19.4	-8.2
Taxi	254	201	185	-27.2	-8.0
Compliments	545	516	520	-4.6	+0.8

Note: Figures are for the year ending 31 March. Fares complaints are driver 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: NSWTI.

Table D.6 Change in the most common complaints compared with the previous year for urban taxis

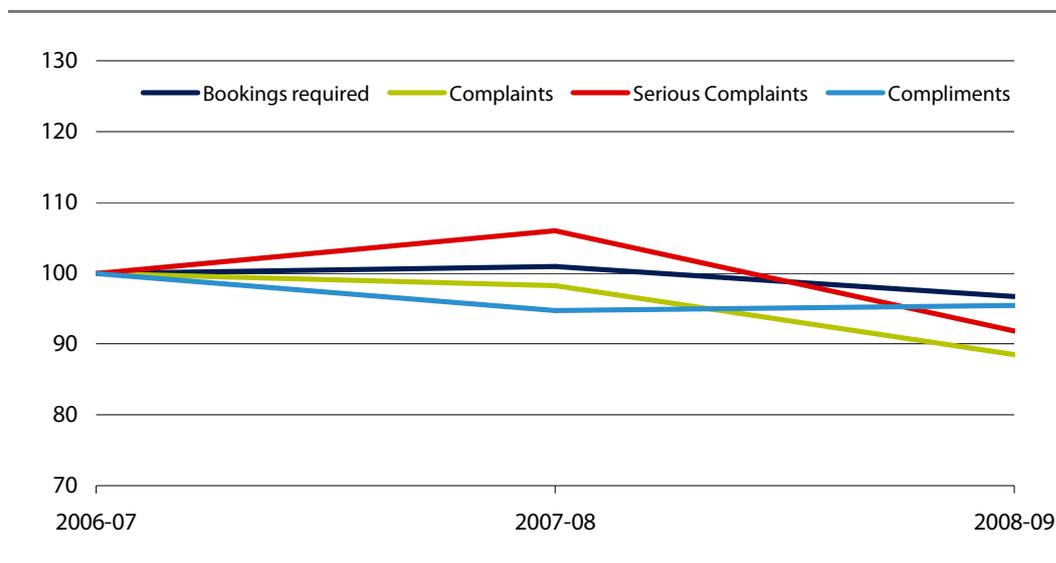
	2007	2008	2009	Change (%)	
				Since 2007	Since 2008
Demanding more/other than prescribed fare	987	1,093	1,001	1.4	-8.4
Driving in an unsafe manner	785	826	788	0.4	-4.6
Rude to customer – incivility or impropriety	764	726	642	-16.0	-11.6
Refusal of a fare/hire when “for hire”	691	678	562	-18.7	-17.1
Failure to provide reasonable assistance to customer	466	598	494	6.0	-17.4

Note: Figures are for the year ending 31 March.

Source: NSWTI.

We reviewed the change in complaints and compliments relative to changes in overall bookings required. As shown in Figure D.1, this information indicated that, over the past 2 years, the total number of complaints had fallen significantly, while the number of bookings required had fallen by a smaller amount. Note that data on bookings requested is not directly comparable with complaints data for all taxi trips, which include rank, hail and private bookings, but does provide an indication of trends in these measures.

Figure D.1 Index of changes in complaints, compliments and bookings required 2006-2008



Note: Data on bookings requested is not directly comparable with complaints data for all taxi trips, which include rank, hail and private bookings, but does provide an indication of trends in these measures.

Data source: CFMS and KPI data.

D.3 Wheelchair accessible taxis to March 2009

The Zero200 network is the primary booking network for wheelchair accessible taxis (WATs) in Sydney. The KPIs for this network and the standards for performance against these KPIs are the same as those for other networks (see Table D.1). However, the NSWTI maintains information on the Zero200 network’s performance separately to other networks.

Table D.7 and Table D.8 summarise the Zero200 network’s performance against the standards for phone call answering times and pick-up times for WATs over previous years. These tables indicate that this performance had improved, but still did not meet all NSWTI’s standards.

Table D.7 Zero200 network’s performance against standards for phone call answering times for WATs, 2007-2009

	Calls answered within one minute (%)	Calls answered within two minutes (%)
2007	88.1	95.1
2008	91.3	97.0
2009	94.2	97.8
Performance standard	85.0	98.0

Note: Information is for WATs bookings through the Zero200 network only. Figures are for the year ending 31 March.

Source: NSWTI.

Table D.8 Zero200 network's performance against standards for pick-up times for WATs, 2007-2009

	Pick up in less than 15 minutes (%)	Pick up in less than 30 minutes (%)	Pick up in less than 60 minutes (%)
2007	70.9	91.3	99.1
2008	77.9	95.2	99.5
2009	78.3	96.1	99.7
Performance standard	85.0	98.0	99.0

Note: Information is for WATs bookings through the Zero200 network only. Figures are for the year ending 31 March.

Source: NSWTI

The improvements in Zero200's performance against the KPIs for WATs may be partly explained by the 10% increase in the number of WATs operating on the Zero200 network over the previous year (see Table D.9) which was not offset by an increase in the number of bookings requested. This increase is likely to be due to the various incentives available to for WATs.

The improvements may have also been in part due to the trial incentive payment of \$8.47 paid to drivers for each WATs passenger picked up.²⁹ This incentive was in place for the full year measured (and only for part of the year in 2008). Although originally introduced as a 6 month trial the incentive payment remains in place. It was designed to improve reliability and response times for passengers requiring a wheelchair accessible taxi.³⁰

Table D.9 below provides information on other KPIs that are relevant to WAT passengers' experience.

Table D.9 Changes in performance measures between review periods for booked jobs on the Zero200 network

	2007	2008	2009	Change (%)	
				Since 2007	Since 2008
Number of bookings requested (000)	107.3	120.4	118.7	10.6	-1.4
Total pickups (000)	94.1	104.9	103.1	9.5	-1.8
Total pickups as a proportion of bookings required (%)	87.7	87.2	86.8	-1.0	-0.4
Number of ring backs	2,133	1,252	1,114	-47.8	-11.0
Number of taxis operating on the network	346	433	476	37.6	10.0

Note: Average monthly result for the year ending 31 March.

Source: NSWTI.

²⁹ NSWTI website <<http://www.transport.nsw.gov.au/taxi/wheelchair.html>>

³⁰ The incentive is paid to drivers and is available only for journeys paid for with a TTSS docket and undertaken in a wheelchair accessible taxi. The incentive payment is not paid for by the passenger but is funded through the Taxi Advisory Committee fund, a fund paid into by taxi operators.

