

Review of fares for taxis in NSW

Issues Paper

February 2004



**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

Review of fares for taxis in NSW

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Submissions should have regard to the specific issues that have been raised. There is no standard format for preparation of submissions but reference should be made to relevant issues papers and interim reports. Submissions should be made in writing and, if they exceed 15 pages, should also be provided on computer disk in word processor, PDF or spreadsheet format.

For this review of taxi fares, submissions from the Taxi Council and the Transport Workers' Union have been requested by Friday 19 March 2004. Submissions from other stakeholders are requested by Thursday 8 April 2004. Submissions should be sent to:

Taxi fare review
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Electronic submissions in the form of Microsoft Word or Acrobat PDF documents are preferable. Electronic submissions should be sent to ipart@ipart.nsw.gov.au.

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Public information about the Tribunal's activities

Information about the role and current activities of the Tribunal, including copies of latest reports and submissions can be found on the Tribunal's web site at www.ipart.nsw.gov.au.

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TABLE OF CONTENTS

1	INTRODUCTION	1
	1.1 Review process and timetable	1
	1.2 Key issues	2
2	COMPOSITION AND WEIGHTING OF TAXI COST INDICES	3
	2.1 Verifying changes in 2003/04 cost items	4
	2.2 Reweighting the Urban Taxi Cost Index	4
	2.2.1 Option 1: alter weights to reflect 2002 costs	4
	2.2.2 Option 2: alter 2002 costs to reflect evidence submitted to previous reviews	5
3	FARE LEVELS AND STRUCTURE	9
	3.1 Current fare levels and structures	9
	3.2 Issues related to fare components and additional charges	10
4	SERVICE QUALITY	11
	4.1 Current performance and quality reporting requirements	11
	4.2 Issues the Tribunal will consider	12
	4.2.1 Adequacy of current reporting standards and reporting requirements	12
	4.2.2 Complaints register	13
	4.2.3 Wheelchair accessible taxis	14
5	ENVIRONMENTAL AND SOCIAL ISSUES	15
	5.1 Environmental issues	15
	5.2 Social issues	15

Abbreviations used in this issues paper

ABS	Australian Bureau of Statistics
ICRC	ACT Independent Competition and Regulatory Commission
PTA	Passenger Transport Act 1990
RTA	Roads and Traffic Authority, NSW
TAC	The Taxi Advisory Committee advises the Minister for Transport Services on taxi matters. The Committee is chaired by the Director General, Ministry of Transport and comprises representatives of taxi networks, licence owners and operators, the state Government and union representatives.
THCB	The Taxi and Hire Car Bureau is the NSW government agency responsible for licensing and regulating taxi cabs and private hire car vehicles in New South Wales. It operates as a business unit of the Ministry of Transport.
TPDC	The Transport and Population Data Centre is the major source of transport data for NSW. TPDC is a division of the Department for Infrastructure, Planning and Natural Resources.
TTSS	TTSS or Taxi Transport Subsidy Scheme was introduced in 1981 in order to promote accessibility for people who cannot use public transport because of a disability. It operates by subsidising 50 per cent of the taxi fare up to a maximum of \$30. This scheme helps fund people with a serious and permanent disability who travel by taxi.
TWU	Transport Workers' Union
WAT	Wheelchair Accessible Taxi.

1 INTRODUCTION

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) is undertaking its annual review of fares for taxi services in the state. Based on this review, it will recommend changes to these fares from 1 July 2004.

The NSW taxi industry is regulated by the Ministry of Transport and the Roads and Traffic Authority. The Ministry of Transport, which derives its authority from the *Passenger Transport Act 1990* and the *Passenger Transport (Taxi-Cab Services) Regulation 2001*, is responsible for setting maximum fares, as well as issuing licences and setting driver and vehicle standards.

At the Minister of Transport Services' request, the Tribunal's role is to review and recommend fares each year. The terms of reference for this review are provided by the Premier, and require the Tribunal to consider the following matters:

- the cost of providing the services concerned
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers
- the impact of pricing policies on borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets
- the need to maintain ecologically sustainable development
- the social impact of the recommendations
- standards of quality, reliability and safety of the services concerned
- the effect of any pricing recommendation on the level of Government funding.

1.1 Review process and timetable

The Tribunal will consider each of the matters in its terms of reference, together with submissions from key stakeholders and the general community, before making its recommendations.

An indicative timetable for the review is set out below. The Tribunal invites all interested parties to make submissions. Details on how to do so are provided at the start of this paper (on the page preceding the Table of Contents). The Director-General of the Ministry of Transport will make the final decision on fare changes after considering the Tribunal's report.

Action	Indicative time table
Advertise review and notify key stakeholders	19 February 2004
Receive submissions from Taxi Council, Transport Workers' Union	19 March 2004
Receive submissions from other stakeholders	8 April 2004
Make recommendations to the Director-General	7 June 2004

1.2 Key issues

To assist stakeholders in making submissions, this paper outlines the key issues for this review. These issues include:

- How should the composition of the current taxi cost indices be amended to better reflect the relativities between the various costs of operating taxi services?
- Are the current fare levels and fare structures appropriate to the needs of customers and industry participants?
- Is the quality of service provided by taxis adequate?
- What implications would higher taxi fares have for the environment, and how should these implications be considered in the fare setting process?
- What social impacts could higher fares have, and how should these impacts be considered in the fare setting process?

The following chapters discuss each of the key issues in detail.

2 COMPOSITION AND WEIGHTING OF TAXI COST INDICES

One of the key factors the Tribunal considers when setting taxi fares each year is how much the costs of providing taxi services have changed since the last fare review. To determine this, it uses the cost index approach. Many regulators use this approach to adjust transport fares when they do not have access to reliable historical and current data on revenue and efficient costs. It involves establishing key actual costs incurred by the relevant industry and using them to construct an index to measure cost changes over time.

In 1999, the Taxi Council engaged PricewaterhouseCoopers to help it measure the costs of operating a taxi in urban and country NSW, and then develop a cost index for each area. In the past three reviews, the Tribunal has used amended versions of these indices. It was concerned that the original indices did not reflect all the significant costs involved in operating a taxi so it added several new costs and deleted one it believed was unrepresentative.

Last year's cost items, their weights and dollar values at June 2003 are shown in Table 2.1.

Table 2.1 Urban and country taxi operating cost indices in 2003

	Present weights	IPART June 2003		Present weights	IPART June 2003
Urban Operator Expenses			Country Operator Expenses		
Fixed Costs		\$	Fixed Costs		\$
Vehicle Lease payments	4.79%	8930	Vehicle Lease payments	5.87%	8340
Insurance	6.22%	13371	Insurance	4.93%	7263
Govt Charges	0.46%	772	Govt Charges	0.59%	772
Network Fees	3.41%	6500	Network Fees	6.97%	10667
Plate Lease cost	14.17%	21913	Plate Lease cost	10.15%	11884
Annualised Est'ment Costs	0.60%	1425	Annualised Est'ment Costs	0.48%	713
Variable Costs			Variable Costs		
Maintenance Labour	4.08%	6727	Maintenance Labour	4.09%	6445
Vehicle Parts & Panels	5.20%	11130	Vehicle Parts & Panels	3.02%	5789
Cleaning	0.23%	393	Cleaning	2.39%	2291
Tyres	1.61%	3057	Tyres	1.49%	2184
Operator Salary Equivalent	7.28%	13001	Operator Salary Equivalent	9.47%	13001
Driver entitlements	2.17%	3871	Uniforms	1.95%	2441
Uniforms	1.50%	2441	Other	2.44%	3320
Other	2.03%	3597	LPG Fuel	9.12%	13910
Driver Expenses			Driver Expenses		
LPG Fuel	8.35%	16018	Drivers' Notional Wages	37.04%	50817
Drivers' Notional Wages	36.14%	64496			
Cleaning	1.77%	2952			
Total	100.00%	180594	Total	100.00%	139836

Note: The weights, originally as at September quarter 1999, have been amended by the inclusion of plate lease costs and drivers' notional wages and by the exclusion of operator superannuation.

As part of this year's review, the Tribunal intends to undertake a thorough examination of the existing costs, especially in the *urban* taxi cost index. Two major issues it will consider are whether changes in the cost items in 2003/04 are soundly based, and possible changes to the weightings of some cost items in the indices, especially the index of urban taxi costs.

2.1 Verifying changes in 2003/04 cost items

The Tribunal intends to verify the cost changes in 2003/04 submitted to it by the Taxi Council. Movement in the items in the cost indices should meet three core criteria:

- the items themselves should be *consistent* with the previous year's cost index, where practicable
- the movements in their prices should be *representative* of the class of costs for which the particular items were selected
- the movements in the cost of the item should be *verifiable* by the Tribunal.

Since the current cost indices use weights that relate mostly to 1999 data derived from consultant research and later Tribunal amendments, the Tribunal intends to consider how best to update the weights on the basis of available information related largely to the dollar cost of each cost item in the indices.

The Tribunal invites comment on the current movements in costs and the components and weightings in the cost indices.

2.2 Reweighting the Urban Taxi Cost Index

Like any base-weighted index, the weights attached to particular cost items in the taxi cost indices may change significantly over time as the industry adapts to changes in relative prices, technology and other factors. In addition, data from other jurisdictions and various alternative estimates might enhance the accuracy of some of the index weights.

Last year, the Tribunal highlighted some potential changes to the weightings in the urban taxi cost index that it will consider in the light of evidence available to it. Two of the options it will consider are discussed below.

The different pieces of evidence submitted to the Tribunal during previous reviews relate to the costs of operating an urban taxi in 2002. The present weights, and the weights implicit in the cost items as listed in the index at June 2002, are shown in Table 2.2.

2.2.1 Option 1: alter weights to reflect 2002 costs

One option the Tribunal might consider is to update the weights from 1999 to 2002. If the weights were realigned with the 2002 dollar value of the cost items, a small re-weighting would occur towards the Insurance and Vehicle panels and parts items and away from Plate lease costs. This would make only a marginal difference (less than one percentage point) to the relative weightings of operator and driver costs.

In principle, all the variable costs should be revised every year, along with their weights, made be made larger or smaller depending primarily on kilometres travelled. But data on actual kilometres travelled have not, to date, been part of the review process.

The Tribunal has been informed that a regulatory amendment is currently being finalised that will require drivers to record odometer readings on their worksheet every shift, and that mileage travelled *for taxi fleets* is expected to be included into new key performance indicators for taxi networks.

Table 2.2 Urban Taxi Cost Index: current weights and relative costs at June 2002

	Present weights	Costs June 2002	Relative Costs June 2002	Differences in weights
Urban Operator Expenses				
Fixed Costs		\$	%	
Vehicle Lease payments	4.79%	8281	4.79	0.00
Insurance	6.22%	12737	7.36	1.15
Govt Charges	0.46%	739	0.43	-0.03
Network Fees	3.41%	6436	3.72	0.31
Plate Lease cost	14.17%	19500	11.27	-2.89
Annualised Est'ment Costs	0.60%	1399	0.81	0.21
Variable Costs				
Maintenance Labour	4.08%	6854	3.96	-0.12
Vehicle Parts & Panels	5.20%	10944	6.33	1.13
Cleaning	0.23%	360	0.21	-0.02
Tyres	1.61%	2800	1.62	0.01
Operator Salary Equivalent	7.28%	12525	7.24	-0.04
Driver entitlements	2.17%	3731	2.16	-0.01
Uniforms	1.50%	2400	1.39	-0.11
Other	2.03%	3484	2.01	-0.02
Driver Expenses				
LPG Fuel	8.35%	15774	9.12	0.77
Drivers' Notional Wages	36.14%	62135	35.92	-0.22
Cleaning	1.77%	2860	1.65	-0.12
Total	100.00%	172959	100.00	
Operator Component	53.74%		53.30	-0.44
Driver Component	46.26%		46.70	0.44
Total	100.00%		100.00	

NB: Columns may not add due to rounding.

2.2.2 Option 2: alter 2002 costs to reflect evidence submitted to previous reviews

A second option the Tribunal will consider is to change the weightings of specific cost items. In particular, in its submission to the 2003 review, the TWU disputed five items in the urban taxi cost index—maintenance labour, parts and panels, tyres, operator salary equivalent (administration), and uniforms. These cost items were also significantly different from estimates provided to the Tribunal in its 1999 Taxi and Hire Car Review.

The Tribunal reviewed the evidence in last year's report but did not make changes to the weightings because it did not have sufficient time to consult with stakeholders. It noted that it would address the issue as part of the 2004 review.

The cost items in the urban cost index as at June 2002, the TWU 2003 submission on costs at June 2002, and the costs reported in the 1999 Review updated to reflect 2002 prices are summarised in Table 2.3.

Table 2.3 Operator Cost Estimates

	IPART-amended as at June 2002	TWU as at June 2002	IPART 1999 Review adjusted to June 2002
Fixed Operator Costs			
Vehicle lease	8281	7000	9968
Insurance	12737	12737	16547
Govt charges	739	739	
Network fees	6436	6436	6552
Plate lease	19500		
Establishment costs (annualized)	1399	1200	
Garaging		500	448
Variable Operator Costs			
<i>Maintenance labour</i>	6854	5000	
<i>Parts and panels</i>	10944	8000	15120
Cleaning (ATIC detailing)	360	360	
<i>Tyres</i>	2800	1635	
Operator superannuation	1002	140	
<i>Operator salary equivalent (admin)</i>	12525	1560	
Driver entitlements	3731	3731	6944
<i>Uniforms</i>	2400	450	
Other	3484	1000	3136
Accident excess		500	
Total Operator Costs	93192	50988	58715

Notes: The TWU estimates are based on the operation of a single taxi.

The 1999 IPART Review also included Fuel and Wash \$6,500 and Vehicle registration \$400 which brought Total operator expenses to \$58,924. The estimate of the same aggregate by the NSW Taxi Industry Association was \$60,578. In 2002 dollars the two aggregates would become \$65,995 and \$67,847 respectively.

Sources: IPART, *Report on fares for taxis, private buses and private ferries*, June 2002, p 30; TWU submission 2003 p 7; IPART, *Review of the Taxi Cab and Hire Car Industries, Final Report*, 24 November 1999, p 63.

The most significant divergences occur in five cost items. *If* these five were amended in the light of the information supplied in the TWU's 2003 submission, the Tribunal's 1999 Review and submissions made to the ICRC, the main impact would be to reduce the following cost items:

1. **Maintenance labour** - reducing the cost from \$6,854 to \$5,150
2. **Parts and panels** - \$10,944 to \$8,250
3. **Tyres** - \$2,800 to \$2,100
4. **Operator salary equivalent (admin)** - from \$12,525 to \$2,146
5. **Uniforms** - from \$2,400 to \$480.

The basis for making these revisions is set out below.

Maintenance labour and parts and panels

The revised, combined cost estimate of \$13,400 for the first two cost items, maintenance labour and parts and panels, is based on a long list of service and maintenance data supplied to the Tribunal by the Taxi Council in September 1999. The items have been sorted into service and parts components, and any items included elsewhere in the urban cost index (such as car detailing and tyres) have been excluded. This gives a total of \$11,749. When these costs are adjusted for the rise in the CPI since July 1998 (including the jump in the CPI

caused by the introduction of the GST on 1 July 2000), they total \$13,361, which is close to the suggested \$13,400 made up of Maintenance labour \$5,150 and Parts and panels \$8,250.

Data for repairs and maintenance from Canberra Cabs suggest that this revised estimate may still be too high, since repairs and maintenance on a Canberra cab in 2002 cost \$11,690 (excluding GST).

Tyres

The revised cost estimate for the tyres item of \$2,100 is based on a single cab travelling 175,000km a year, and assumes that each tyre has a usage rate of 40,000km.¹ This usage rate assumption is towards the upper end of the range provided by other sources—Ford indicated to the Taxi Council the usage rate is around 30,000km, while the data in the Taxi Council list of service and maintenance costs as at July 1998 implies a usage rate of around 43,750km, and Canberra Cabs cited an estimate of 45,000km in its 2002 submission to the ICRC.

Even if the usage rate assumption is reasonable, the revised estimate may still be too high, since Sydney taxis would travel less than 175,000km per annum if they were only on the road 47 weeks of the year. The TWU estimate of 142,000kms per annum was based on 47 weeks at 3,035kms per week. Tyre costs might also be less given the widespread use of remoulds (previously known as retreads) in the industry.

Together, the revised cost estimates for Maintenance labour, Parts and Panels and Tyres imply a reduction in costs from \$20,598 to \$15,500. This revised figure is similar to the single figure of \$15,120 for the same range of variable operator costs reported in the 1999 Review of Taxis and Hire Cars (adjusted to 2002 prices), shown in last column of Table 2.3.

Operator's salary equivalent

The revised cost estimate for the operator salary equivalent item of \$2,146 represents a major change, as it reduces this item by around five-sixths. In the 2002 cost index, this item is \$12,525, based on an operator spending 10 hours per week or 520 hours a year administering a cab. However, Canberra Cabs calculated that it took only 53.33 hours a year per bailee driver to administer an ACT cab. Even allowing for two full-time bailee drivers working four shifts each and one three-shift bailee driver, the total hours per year for operator administration would be 146, which is almost 75 per cent less than the present assumption of 520 hours.

In addition, the cost index applies average weekly ordinary time earnings to an operator's administrative hours. Earnings were \$909.30 per week per person at June 2002, or \$22.73 per hour for a 40-hour week. But the Tribunal noted in its 2002 report (p 25) that:

The decision to operate a taxi is largely independent of average weekly earnings figures for NSW. The decision is based on the returns one can receive from a taxi, and these are largely based on fare revenue received.

¹ At 40,000km per tyre, a cab travelling 175,000km would require four sets of 4.375 tyres per year, which at a 2002 retail price of \$120 per tyre (Dunlop Monza, inclusive of GST), would cost \$2,100.

In the absence of fare revenue data, one possibility would be to consider an industry rate of pay such as the \$14.70 per hour that was the award to drivers by the Industrial Relations Commission for sick leave and holiday pay for 2002/03. Its merit is that it would be the closest approximation for "returns one can receive from a taxi".

The operator salary equivalent cost adopted for the 2002 base would then become 146 hours times \$14.70, or **\$2,146**, substantially below the previous costing.

Uniforms

The revised cost estimate for the uniforms item is based on the Taxi Combined Services (TCS) by-laws, and the TCS uniform shop prices as cited in the TWU 2003 submission. This covers the cost of uniforms for one permanent driver and two casuals per year. The revised estimate is comparable with the 2002 cost of ACT uniforms of \$465, although the functional life of these uniforms is stated to be two years.

The Tribunal invites comment on the suitability of the current weights in the cost indices and assessment of the evidence that indicates how the weights might best be updated.

It welcomes comment on all items, not just the five discussed above, including superannuation and any other significant operator and driver costs. However, it requires that data in support of proposed changes be consistent, representative and verifiable.

3 FARE LEVELS AND STRUCTURE

Any change in fare levels recommended by the Tribunal must be translated into operational terms. For taxis, any recommended percentage change to 'the average fare' is applied to the fare components. Issues related to the current fare levels and structure are discussed below.

3.1 Current fare levels and structures

Individual fare components may be set in various ways consistent with an overall fare level. The current components and their contribution to the average fare for urban and country taxi services are shown in Table 3.1. The underlying structure for these fares is shown in Table 3.2.

Table 3.1 Contribution of components to total 'average fare'

	Urban	Country
Flagfall	\$2.65	\$3.15
Distance (7k/3k)	\$10.71	\$4.77
Radio fee	\$0.37	\$0.40
Waiting time (3mins/3mins)	\$2.00	\$2.00
Total average fare	\$15.73	\$10.32

1. The distance rate is applied over 7km (urban) and 3km (country).
2. Radio fee applies every third trip (urban) and every second trip (country).

Table 3.2 Current fare structure²

	Urban	Country
Flagfall	\$2.65	\$3.15
Distance	\$1.53 / km	\$1.59 / km ¹
Radio fee	\$1.10	\$0.80
Waiting time ²	\$40.00 / hr	\$40.00 / hr

1. The distance rate for country trips over 12km is \$2.22/km.
2. While vehicle speed is less than 26.14kph (urban) or 25.16kph (country).

Last year, the Tribunal adopted an average urban fare based on flagfall, a 7 km trip, 3 minutes of waiting time and one-third of the booking fee.³ The average country fare was based on flagfall, a 3 km trip, 3 minutes waiting time and half of the booking fee.

² Ministry of Transport. Fare structure also includes 20 per cent night-time surcharge, holiday surcharge (country only), luggage rates, tolls, maxi-cab rates for more than five passengers and for multiple hirings.

³ If Sydney taxis make 86 million trips a year (155 million passengers per year adjusted by 1.8 passengers per trip as reported on the NSW Taxi Council website) and radio pickups are 12.8 million a year (as in Table 4.1), the ratio of radio to total trips would be 15 per cent. It is difficult to reconcile 86 million trips per annum with the observation in *Meter* magazine for January/February 2004 (p 22) that "over 6 million" trips occurred in November 2003 which is a high month seasonally. That implies annual trip numbers well below 84 million. In any case, the ratio of radio to total trips looks no higher than **one in five** for urban taxis rather than the one in three assumed in the current urban average fare calculation.

3.2 Issues related to fare components and additional charges

The Tribunal intends to consider the appropriate balance between fare components, any meter-related fare anomalies, the night time surcharge, and the luggage fee.

In setting fares, the Tribunal aims to achieve an appropriate balance between fare components. In doing so, it considers how this balance affects customers who want to travel short distances compared with those travelling long distances, drivers' willingness to accept short distance trips, and the cost of presenting the service at the kerbside.

In applying an average fare increase across components, the Tribunal seeks to be mindful of any impact on patronage and adverse consequences to specific customer groups.

The Tribunal invites comment on the way any overall fare rise should be applied to individual components.

NSW taxi meters are constrained in the increments they can accommodate. Last year, the Tribunal recommended that the radio fee be reduced to \$1.00 so that the 'extras button' on meters could accommodate both the radio fee and Sydney tolls to the nearest 20 cents.

Since the Tribunal's report, it has been ruled that tolls are not to be added to the meter, thus removing the main reason for rounding the fee. The Tribunal is, therefore, considering restoring the 25 cents removed last year.

The Tribunal also recommended that the waiting time rate be increased to \$40.00 per hour, in part to make it consistent with meter technology. According to a manufacturer, Schmidt, NSW taxi meters can only be adjusted to within one-tenth of a second. A meter set to 'clicks' of five cents every 4.5 seconds produces waiting time of \$40.00 per hour. It may be that other brands of meters have different increment restrictions.

The Tribunal invites comment on any matters related to current meter technology, and especially to any meter-related anomalies in the present fare structure.

Last year, some stakeholders proposed that the current night time surcharge be extended. Some suggested it be applied to the flagfall, while others suggested it be applied to Sundays and public holidays. The Tribunal did not accept either proposal because of insufficient evidence of a serious shortage of taxis at night time and on Sundays and public holidays. The Tribunal will revisit this decision if evidence shows that an extension is warranted.

The Tribunal invites comment on, and evidence for or against, extending the night time surcharge to other components of the fare and other days of the week.

Currently, taxis cannot charge a fee for luggage weighing up to 25 kg, but can charge 10 cents for each 25 kg over this weight, up to a maximum 55 cents. Since weight is difficult to assess, the Taxi Council proposed a per piece fee, with the first two pieces free of charge.⁴

The Tribunal invites comment on the luggage fee, and how best to levy it.

⁴ Taxi Council submission to 2002 Fare Review, 2 April 2002, p 30.

4 SERVICE QUALITY

Under the terms of reference, the Tribunal is required to consider issues of 'service quality'. This term can refer to a wide range of desirable outcomes for consumers. Aspects of service quality include the quality of the service itself, and various indicators of reliability. The highest possible quality is not necessarily the most efficient, since providing better service can involve additional costs.

It is generally accepted that the most effective way to achieve outcomes consistent with acceptable service quality is to define, measure, monitor and enforce these outcomes through key performance indicators (KPIs). The use of KPIs related to the quality of taxi services has not been well developed within the current regulatory framework. The Ministry of Transport introduced a set of performance requirements for authorised taxi network operators in 1993 as interim standards. Last year, the Ministry indicated that it had developed new draft performance standards to replace the interim standards, but that these were still being negotiated with the taxi industry.

Nevertheless, the taxi industry appears to be acutely aware of its levels of service, perhaps because taxis derive their revenue almost exclusively from full fare paying passengers and they compete with other transport modes. The current performance and quality reporting requirements, and issues the Tribunal will consider as part of its review, are outlined below.

4.1 Current performance and quality reporting requirements

There are separate standards for metropolitan and country taxi network operators which relate to operations, telephone answering, delivery and customer services.

For metropolitan operators, the telephone answering standards are that

- 90 per cent of calls are to be connected to the booking service immediately
- of these, 70 per cent are to be answered within 1 minute
- and 90 per cent are to be answered within 2 minutes.

In relation to delivery standards, the requirements are:⁵

- 85 per cent of taxis are to arrive within 15 minutes of a booking being made
- 98 per cent of taxis are to arrive within 30 minutes of a booking being made
- 100 per cent are to arrive within 60 minutes of a booking being made.

For country operators the requirements in relation to telephone answering standards are the same as those for metropolitan network providers. Those in relation to delivery standards are tighter, and are that:

- 85 per cent of taxis are to arrive within 10 minutes of a booking being made
- 98 per cent are to arrive within 15 minutes of a booking being made
- 100 per cent are to arrive within 20 minutes of a booking being made.

⁵ These standards apply to the provision of normal services in metropolitan areas. Any minimum performance standards contained in contracts for special purpose taxis or fringe area services will override these 'general' standards for metropolitan areas.

The Ministry of Transport requires that all networks submit performance reports every three months. The 2003 reports are summarised in table 4.1, along with additional detail on the December quarter.

Table 4.1 Sydney Radio Network Statistics, 2003

	MQ03	JQ03	SQ03	DQ03	DQ03 as % of:			2003
					Low	High	DQ03 Range	
1.0 NETWORK								
Number of taxis	4,649	4,683	4,664	4,693				4,672
Phone calls received	3,032,891	3,039,653	3,137,640	3,623,086				12,833,270
Bookings	3,031,379	3,035,670	3,164,823	3,553,574				12,785,446
2.0 PHONE NETWORK STDS					Phone bookings			
Calls answered within 1 min	2,818,418	2,883,955	2,943,637	3,329,836	93.7	52.6	103.7	11,975,846
Calls answered 1-2 mins	146,406	117,785	133,348	225,002	6.3	0.5	17.0	622,541
Calls after 2 mins	68,067	37,343	39,457	68,003	1.9	1.2	10.7	212,870
Avg phone answering time (secs)						6	42	
3.0 DELIVERY					Total Pickups			
3.1 Pickups								
Within 15mins	2,495,203	2,518,553	2,628,402	2,841,845	92.4	77.6	96.7	10,484,003
15-30mins	145,059	147,930	147,379	197,425	6.4	2.8	19.4	637,793
30-60mins	15,645	15,868	16,854	32,454	1.1	0.4	5.7	80,821
After 60mins	1,099	1,648	1,729	3,834	0.1	0.0	2.1	8,310
Total pickups	2,657,006	2,683,999	2,794,364	3,075,558	100.0			11,210,927
Avg delivery time (mins)						5	9	
3.2 Bookings offloaded					Phone bookings			
Number of bookings offloaded	309,101	310,182	328,400	426,480	12.0			1,374,163
Offloaded & returned	21,263	20,677	19,333	40,840	1.1			102,113
Offloaded successfully	287,839	289,505	309,267	385,640	10.9			1,272,251
Bookings but no car available	17,333	16,232	16,979	35,543	1.0			86,087
Pickups per taxi	572	573	599	655		210	1,449	2,399

Source: Ministry of Transport, Passenger Transport Management System.

4.2 Issues the Tribunal will consider

The Tribunal will consider several aspects of taxi service quality reporting and performance, including the adequacy of the current standards and reporting requirements for metropolitan networks, the scope of the complaints register, and several issues associated with wheelchair accessible taxis (WATs).

4.2.1 Adequacy of current reporting standards and reporting requirements

On average, Sydney taxi network operators comfortably meet their telephone answering targets (Table 4.1). In the fourth quarter, one network marginally failed to answer 90 per cent of its calls within two minutes.

The networks also met their delivery standards, with an average 92.5 per cent of pickups in the busy December quarter occurring within 15 minutes of a booking being made. One network failed to meet the requirements.

The quarterly reports do not allow the networks to make comment on the statistics. Such comments might help the Tribunal in interpreting the reports when there are significant divergences between, say, the number of calls received and the number of bookings requested. Additional categories - for example, indicating when drivers arrive to find that a

passenger has found another taxi or gone by another mode – might also make the reports more helpful.

Further, the reporting standards and requirements could be generally enhanced by implementing the sections of the 2002 Draft Service Standards that deal with establishing key performance standards, providing the Ministry with electronic access to network data, and increasing reporting requirements, including the regular publication of public reports.

The Tribunal invites comment on the current service standards and performance against those standards.

4.2.2 Complaints register

Prior to April 2003, the Ministry of Transport maintained a register of complaints made via the THCB's complaints phone line. In April last year, a new system of collection – the Customer Feedback Management System (CFMS).

The CFMS is an internet-based system that allows taxi customers to provide direct feedback on the performance of the taxi industry via the Ministry of Transport, the taxi networks or the Transport Infoline. The Ministry and networks may receive phone calls, letters, faxes and e-mails. The Transport Infoline is for phone calls only.

The Tribunal understands that feedback is categorised by the receiver of the information in accordance with agreed protocols, which require taxi networks to investigate and finalise the matter within a defined timeframe. Complaints of a serious nature are investigated by the Ministry of Transport, which is also able to monitor the status of all matters on the system.

Table 4.2 has been compiled on the basis of the former system to 2002 and updated for data from the CFMS for 2003. The table shows the trend towards a continual reduction in the total number of complaints until the new system was introduced.

Table 4.2 Summary of complaints registered with the Ministry of Transport

	1999	2000	2001	2002	2003
Abuse, assault or rudeness	835	806	697	646	752
Driving in a dangerous manner	392	320	524	420	737
Refuse hire when 'for hire'	735	556	472	383	628
Demand more than prescribed fare	287	638	387	329	727
Fail to arrive/arrive late	487	459	344	260	423
Fail to take shortest route	277	254	236	229	222
Vehicle unfit/unclean	220	229	222	194	268
Poor knowledge	365	228	161	121	138
<i>Total of complaints listed above</i>	<i>3598</i>	<i>3490</i>	<i>3043</i>	<i>2582</i>	<i>3894</i>
Other	979	812	764	572	878
Total	4577	4302	3807	3154	4772

Source: THCB. 2003 data are the sum of superceded system data to 15 April and CFMS system data from May to December scaled up by 1/24 to adjust for the missing half month. Classifications have been condensed by the Tribunal.

The CFMS was expected to show a jump in the number of complaints on its introduction, not because incidents were more frequent, but because the ease of access to the system was expected to net more responses. It is not possible to discern trends in the data until the new system has been in place for several years.

The Tribunal invites comment on recording and reporting under the new complaints system.

4.2.3 Wheelchair accessible taxis

Anecdotal evidence suggests that customers who require WATs receive a much lower level of service than those who use standard taxis.

The Taxi Council expressed its desire to improve service to WATs users in its 2003 submission such that by 2005, response times for WATs are to be equal to the general network standards for booking service response times.

The Ministry of Transport's performance standards state that networks must report on the average delivery time for WATs. This requirement applies to all country networks and to those within the Newcastle and Wollongong areas.

In the Tribunal's previous review, there was considerable discussion about 92 'nexus plates' and their possible relationship to funding WATs. In commenting on an early version of this paper, the Ministry provided the following background information:

Following the introduction of random breath testing in 1982 there was a demand by the public for extra taxis to operate late at night. The [former] Department of Motor Transport issued 40 taxi licences to the networks free of charge, as a temporary measure. In 1985 the Department issued another 52 free licences to the Sydney networks on the same basis. Following representations by the taxi industry about the cost of providing services to disabled passengers, it was determined that the networks could keep these licences indefinitely to indirectly subsidise the wheelchair taxis they were operating.

In the 1980s these free licences were referred to as "nexus plates" in that they were to subsidise the 43 WATs then operated by the Sydney networks. Eventually the number of WAT licences increased to 92, making the term "nexus" a more meaningful one. These "nexus" licences now have a capital value of \$26 million.

The THCB has informed the Tribunal that an unspecified number of the WAT nexus plates are 'on hold' (that is, not in use). The THCB also informed the Tribunal that a much smaller number of the standard nexus plates are 'on hold'. The THCB is unable to determine whether the funds generated through the nexus plates have been used to provide WAT services.

The Tribunal invites comments on the range of issues involved in the provision of WATs and the quality of service being offered.

5 ENVIRONMENTAL AND SOCIAL ISSUES

The Tribunal is required under the terms of reference to consider the impact of its recommendations on the environment and on customers. The key issues it will consider in relation to environmental and social impacts are discussed below.

5.1 Environmental issues

The impact on the environment of changes to either the price or quantity of taxi services, as far as pollution and congestion goes, is likely to be minimal. The state's taxi fleet of almost 6,000 is small compared to the over three million passenger vehicles in NSW.

In general, the Tribunal views all public transport as environmentally positive because it serves to reduce the number of passenger motor vehicles on NSW roads. However, it is the mass transit modes that provide the greatest opportunity to reduce car travel, rather than largely single-person modes such as taxis, motorcycles and bicycles.

To the extent that taxi demand is greatest on Fridays and Saturdays and after hours during the working week, the availability of taxis may serve to discourage car use in crucial periods and is thus be a net positive for the environment relative to the private car alternative.

The Tribunal invites comments on environmental issues and how these should be considered in the fare-setting process for taxis.

5.2 Social issues

In past reviews, the Tribunal has relied on information collected and presented by the Transport and Population Data Centre (TPDC) to assess the social impacts of changes to taxi fares. For this review, the Tribunal has reworked TPDC data to gain some understanding of the personal and household incomes of Sydney residents who use various modes of public transport (Table 5.1).

Table 5.1 Full-fare paying passengers by income (various measures), Sydney

Mode	No. of trips (average weekday)	Average Personal Income	Average Household Income	Median Household Income
Priv Bus Sydney	74,253	\$29,171	\$64,161	\$56,160
STA Buses	256,772	\$43,471	\$82,766	\$64,116
STA Ferries	27,183	\$59,425	\$95,332	\$71,864
CityRail	490,167	\$43,371	\$78,356	\$63,492
Taxis	117,152	\$54,694	\$103,119	\$81,068

Source: TDPC Household Travel Survey 2001.

The median household income is likely to provide the most useful indication of income since, by definition, 50 per cent of users have incomes below the median and 50 per cent have incomes above it. In contrast, average household income can be misleading because a relatively small number of high-income users can push up the arithmetic average.

For example, the average annual household income of Sydney residents who are taxi users is \$103,119 but the median is \$81,068.

Even so, a significant number of taxi users have low household incomes.

The labour force status of taxi users explains much of the spread in incomes. The majority of taxi users are in full-time employment (61 per cent), but pensioners, either aged or other (such as those on disability benefits), are also users of taxi services.

The Tribunal is aware of the fact that particular community groups may be reliant on taxis - for example, people with disabilities or those who need regular medical treatments. Some people within these groups who have a severe and permanent disability have access to the government's taxi transport subsidy scheme, which paid out \$14.4 million in 2002/03.⁶

The Tribunal invites comments on the potential social impacts of fare increases, and how such issues should be considered in the fare-setting process.

⁶ Ministry of Transport, Annual Report 2003, p 5.