

FACT SHEET

Review of taxi fares and annual taxi licences in Sydney

Taxi fares to apply and number of new annual taxi licences to be issued in Sydney from 1 July 2015 – Issues Paper

7 October 2014

IPART is reviewing maximum taxi fares in Sydney and the number of new annual taxi licences to be issued; both will apply from July 2015.¹

The release of an issues paper is the first stage of our review. We are seeking stakeholders' views on the issues raised in the paper and other matters they consider relevant to our review. Submissions to the issues paper are due by 7 November 2014.

We will release a draft decision in December and intend to hold a public hearing at the end of January 2015. Our Issues Paper, review timetable and more details on how to get involved are on our website (www.ipart.nsw.gov.au).


1.1 What is the purpose of this review?

Our terms of reference for this review are aimed at improving taxi services so that:

- ▼ passengers can catch taxis when they want them, with waiting times that aren't too long
- ▼ fares are affordable for passengers
- ▼ drivers and operators can cover the efficient costs of providing taxi services, including their own labour
- ▼ prospective operators can enter the taxi industry without prohibitive set-up or operating costs.

Ultimately, it should be cheaper and easier for passengers to catch taxis, and cheaper and easier for taxi operators to get a licence.

¹ We are separately reviewing maximum taxi fares in areas of NSW outside of the Sydney Metropolitan Transport District - for more information on that review see: http://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Taxi/Review_of_taxi_fares_to_apply_from_July_2015_in_areas_of_NSW_outside_Sydney



In our view, most of the objectives of the terms of reference can be met by releasing more annual Sydney taxi licences and reducing fares. This would make taxis more affordable and more readily available to passengers, reduce barriers to entry to the taxi industry and encourage competition. However, one of the objectives – balancing the need for a more affordable means of entry into the taxi market with the need to avoid unreasonable impacts on existing licence holders – places a constraint on the number of new licences that can be released and the level of fares.

1.2 What approach are we proposing?

This is the third year in which we have provided advice to Transport for NSW on these matters. We propose that our approach to considering fares and licences this year would be the same as the approach we took last year. We plan to continue to use our model of the Sydney taxi industry (developed initially for the 2013 licence review). However, we also intend to update and rebase the model with data for the 2014/15 year, to be obtained via a survey of taxi drivers and operators.

We will consider whether some of the licences should be released as peak availability licences (PALs) and to recommend replacement licences for those which have been surrendered or not renewed.


At this stage, we do not propose to consider any changes to fare structure this year. However, we will consider whether there is a case for deregulating the booking fee component of the fare, given the recent passage of the *Passenger Transport Act 2014*.

1.3 What impact will our recommendations have on licence holders?

We are aware that the benefits described above will come at some cost to existing taxi licence owners, who will not be able to earn as much income from leasing their licences out. However, this impact is limited by our terms of reference, which require us to avoid **unreasonable** impacts on existing licence holders.

We measure the impact on existing licence holders by looking at licence lease costs (the annual income that a licence owner can receive by leasing out their licence). In past reviews, we considered that a 25% real reduction² in unrestricted licence lease prices over five years (from 2012/13) would not be unreasonable. We are proposing to recommend fares and licence numbers for 2015 in the context of the same longer-term impact – a 25% real reduction in

² That is, after the effects of inflation have been taken into account. So, for example, an item that cost \$10 in 2010 and still costs \$10 in 2014 has had no change in its **nominal** price but has had a **real** decrease in value of approximately 10% once the impact of inflation has been taken into account.



unrestricted licence lease prices – but we may consider extending the period of time over which we expect that reduction to occur.

1.4 What combination of licences and fares?

There are numerous combinations of licences and fares which would have the same impact on licence lease values, but different outcomes for taxi occupancy, total trips taken, fare affordability and passenger waiting times.

There are trade-offs between more licences and lower fares:

- ▼ lower fares and fewer licences improve affordability, increase the total number of trips, and improve occupancy or efficiency
- ▼ more licences and higher fares result in lower waiting times for customers, more opportunity for existing operators to manage their costs by bidding for a new licence, and greater ease of entry into the industry for new operators by bidding for new licences, and a better bargaining position for drivers.

We will consult on fare and licence combinations and their modelled outcomes as part of our draft report and will make a judgement about the best combination based on the mix of outcomes predicted by the model and feedback from stakeholders.

1.5 How can you have your say?

There are several ways you can provide input to this review:

- ▼ **Participate in our driver and operator survey.** If you are a taxi driver or operator you will receive a mail-out survey asking you for information about your costs, revenue and operating practices.
- ▼ **Make a submission.** The issues paper provides more detailed information about our review. All stakeholders are invited to make written submissions in response to this paper. Both the issues paper and information on how to make a submission are available on our website (see www.ipart.nsw.gov.au).

You will also have the opportunity to provide feedback on our draft report and recommendations which we intend to publish in December 2014 and we will hold a public hearing at the end of January 2015.