

FACT SHEET

Review of taxi fares outside Sydney

Based on *Review of taxi fares outside Sydney to apply from 1 July 2015 - Issues Paper*, October 2014

7 October 2014

IPART is reviewing taxi fares outside Sydney and will recommend maximum fares to apply from July 2015. We will also recommend a process for annual adjustments to fares that can be applied until our next comprehensive review.

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.

1.1 Which operating areas does this review impact?

This review applies to all taxi operating areas in NSW outside the Metropolitan Transport District (Sydney). We are separately reviewing fares and the number of new annual licences in Sydney.

1.2 Why do we need to do a comprehensive review of fares outside Sydney?

Historically, there have been two taxi fare schedules that apply in NSW:

- ▼ an urban taxi fare schedule, which applies in Sydney, Newcastle, Wollongong and surrounding areas
- ▼ a country taxi fare schedule, which applies in all other areas of NSW except a small number of areas bordering Victoria which are exempt from fare regulation.

In previous fare reviews, we have made recommendations about changes to the fare levels within these fare schedules based on averaged information on changes in the costs of operating taxi services across each broad area. We have not investigated the extent of variations in these costs or operating models within the areas, and thus whether it may be more appropriate to have a different number of fare schedules or to apply them in different areas.



In our last two fare reviews we have closely examined data for Sydney taxi services, including data about taxi licence numbers, taxi fares, the costs of operating taxi services and their interaction, but we have maintained the two existing schedules, keeping other urban fares the same as Sydney's and country fares different.

However, the limited data available for country and other urban areas suggests there is significant variation in costs and business structures within these areas as well as between them. Licensing arrangements also differ between Sydney and all other parts of NSW. Therefore, we think it timely to review fares and the fare schedules for country areas and urban areas other than Sydney, separately from our review of fares for Sydney.

1.3 How could fares change?

We propose to analyse whether the current fare schedules are appropriate, and, for areas where they are not, what the fare schedules should be.

It is too early to say whether we will recommend fares that are higher or lower than current fares.

We consider that fares should reflect the efficient cost of supplying taxi services.¹ Therefore, in this review we will undertake a detailed examination of the costs of providing taxi services in areas outside Sydney.

We propose to use the findings of our cost analysis to group areas with similar efficient cost structures. This will allow us to establish how many fare schedules there should be. Our preliminary view is that we should seek to better match costs to fare schedules where we can group taxi operating areas by similar characteristics, without creating unnecessary complexity in the charging arrangements.

If we do recommend implementing different fare schedules, this would indicate that existing fares might be efficient for some areas, and exceed efficient fare levels in other areas. This means we may apply different adjustments in different areas.

We will also consider the balance between the various fare components, and whether there should be additional fare components.

¹ For this review, we define efficient costs as the costs of goods and services purchased in a competitive market.

1.4 What are costs of operating a taxi service?

The costs of supplying taxi services include driver labour costs, operator labour costs, vehicle costs (including purchase or lease, fit-out, insurance, maintenance and fuel), network fees and taxi licence lease costs.

However, the cost of a taxi licence is not an efficient cost because the licences themselves have no productive value. This cost does not reflect the costs of goods or services being produced, but instead the high cost of obtaining the licence, or its scarcity value. This is known as economic rent.

In this review, we intend to undertake a more detailed analysis of costs of providing taxi services in areas outside Sydney to take into account any significant differences between areas, and to assess the extent to which current fares are above efficient levels. We propose that this will involve three main steps:

1. Analysing the **financial costs** of providing taxi services in a range of areas outside Sydney.
2. Assessing the level of any economic rent included in current fares to help us determine the **efficient costs and fares**.
3. Comparing current fares in a range of areas with those in other states.

1.5 How can you have your say?

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

- ▼ **Participate in our online survey of taxi use.** We are keen to hear from people who have used or have considered using taxi services outside Sydney in the past 12 months. The survey is available on our website (http://www.ipart.nsw.gov.au/Home/Taxi_Survey).
- ▼ **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.** We have put out an issues paper that provides more detailed information about our review, including how we plan to approach it, and the main issues we will consider. All stakeholders are invited to make written submissions in response to this paper. Both the paper and information on how to make a submission are available on our website (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 April 2015.