

FACT SHEET

Taxi fares will increase by CPI on 1 July

June 2014

Average LPG fuel prices have increased by 21% in Sydney in the 6 months to May 2014, compared to the 6 months to May 2013. This represents a 2.3% increase in the total costs of providing taxi services.

Transport for NSW has announced that urban and country fares will increase by 2.5% in line with CPI from 1 July. The increase in taxi costs due to the change in LPG prices falls within the fare increase announced by Transport for NSW.

Background

Every year IPART investigates and recommends fares for taxis in NSW to Transport for NSW.

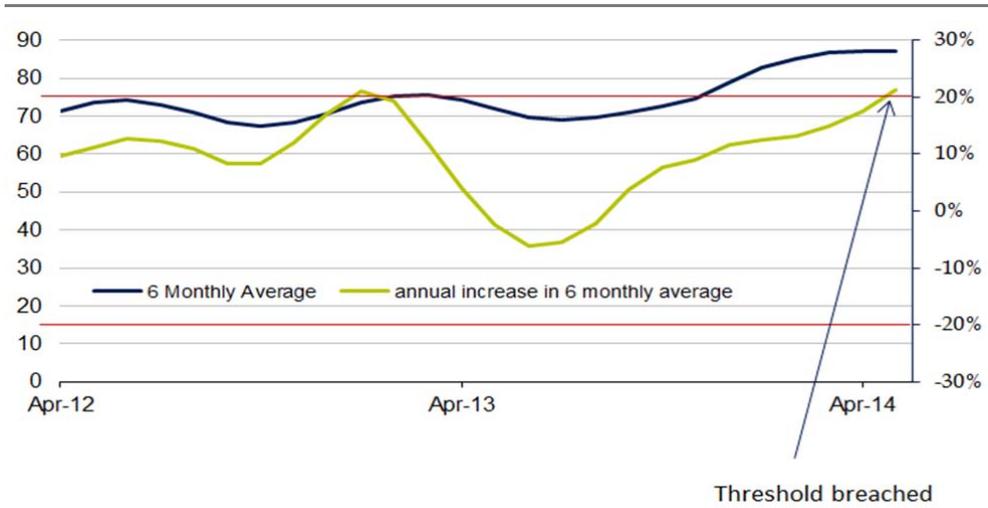
In February 2014, we recommended that fares should be frozen from 1 July 2014. In response to industry's concerns regarding the volatility of fuel prices, we monitor LPG prices on an ongoing basis, using monthly data from FUELtrac about average daily LPG prices. Under our approach, we recommend a fare change if this data shows that the average LPG price over 6 months changes by more than 20% compared to the same 6 months the year before (to avoid capturing seasonality effects). This fare change would reflect the proportion of LPG to total costs (as measured in our 2013 fare review at 11%).

The increase in fuel costs falls within the fare increase announced by Transport for NSW

The average price of LPG in Sydney over the 6 months to May 2014 was 21% higher than the 6 months to May 2013. This amounts to a 2.3% change in total costs of providing taxi services.

Under our approach, we would recommend that fares should be 2.3% higher than our recommendation of a 0% July fare change. However, Transport for NSW has announced that taxi fares will increase by 2.5% from 1 July 2014. This means that from 1 July, fares will be high enough to cover the change in fuel costs.

Figure 1 Historical changes in Sydney LPG fuel prices



Data source: FUELtrac.

We also said in our final report on taxi fares and licences that if the 20% threshold is triggered, we would not make further fare recommendations to reflect LPG costs for the following 6 months. Therefore, we will not recommend any further fare changes before December 2014.

Country areas

The average price of LPG in country areas over the 6 months to May 2014 was 9% higher than the 6 months to May 2013.¹ Because this has not breached the 20% threshold we would not recommend a fare change for country operators under our fare-setting framework. However, the 2.5% fare increase announced by Transport for NSW applies to both country and urban areas.

¹ Based on the average fuel price in 32 country towns.