



Independent Pricing and Regulatory Tribunal

2009 Review of Taxi Fares in NSW

Maximum fares from 1 July 2009

Transport — Final Report and Recommendations
June 2009



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1 Introduction and executive summary

The Independent Pricing and Regulatory Tribunal of NSW (IPART) reviews taxi fares each year and recommends changes to maximum taxi fares to the Minister for Transport. IPART conducts these reviews under section 9 of the IPART Act by arrangement with the Ministry of Transport.

IPART has completed its 2009 review, following the process outlined in Box 1.1. Like last year, IPART based its recommended *changes* to fares on its estimate of the *increase* in the cost of providing taxi services over the past 12 months as measured by the Taxi Cost Index.

In making its recommendations, IPART considered each factor listed in the terms of reference for the review (Appendix A) and all of the submissions it received from stakeholders (Appendix B). As part of this process, IPART found that it had examined many of the concerns raised in submissions in detail as part of its recent comprehensive review of the costs, cost weightings and inflators in the Taxi Cost Index, and had discussed them in detail in last year's report. As submissions did not provide new information or arguments that would warrant it changing its view, IPART made only minimal adjustments to the components of the Taxi Cost Index.

1.1 Overview of IPART's key decisions

IPART decided that maximum taxi fares should increase from 1 July 2009 by:

- ▼ 4.2 per cent for urban taxis
- ▼ 4.1 per cent for country taxis

(See Appendix C for information on the urban and country fare zones).

IPART also decided that these increases should be applied evenly across the various fare components, subject to any requirements to round individual fare components.

In addition, like last year, IPART decided to undertake a mid-year review of LPG costs and recommend a further change in maximum fares if these costs have changed (up or down) by more than 10 per cent in the six months to 31 October.

Finally, IPART decided to recommend that the Ministry of Transport consider collecting information on the value of taxi licence plate leases as well as licence plate transfers for use by IPART in future fare reviews.

The increase in maximum fares recommended was based on changes in the cost of providing taxi services, measured by the Taxi Cost Index (TCI). The change in fares reflects the overall cost increase. The cost increases faced by operators and drivers is different from the overall cost increase. The cost increases for operators, drivers and overall are set out in Table 1.1.

Table 1.1 Operator and driver cost increases under the TCI

	Urban	Country
Operator cost increase	5.4%	4.8%
Driver cost increase	3.2%	3.5%
Overall cost increase	4.2%	4.1%

1.2 Overview of IPART's recommendations to the Minister

IPART makes the following recommendations:

- 1 That the Ministry of Transport begin collecting data on the value of all taxi licence leases entered into in NSW, for use by IPART in future fare reviews. 23
- 2 That maximum taxi fares be increased from 1 July 2009 as set out in Table 4.1. 27

Table 4.1 Recommended maximum taxi fare components from 1 July 2009

	Urban	Country
Flagfall	\$3.20	\$3.70
Distance charge (Tariff I) (per km)	\$1.93	\$1.98
Distance charge (Country Tariff II) (per km) ^a	n/a	\$2.76
Waiting time charge (per hr)	\$50.00	\$51.02
Waiting time threshold (km/hr)	26	26
Booking fee	\$2.10	\$1.10
Night-time surcharge (% on distance rate) ^b	20%	20%
Maxi taxi surcharge (% on total fare excluding tolls) ^c	50%	50%
Sunday/Holiday surcharge (% on distance rate) ^d	n/a	20%

^a Applies to each kilometre after the first 12km in country areas. The first 12km are at the normal distance charge.

^b The night-time surcharge applies to journeys commencing between 10pm and 6am.

^c No surcharge applies where the maxi-cab is hired from a taxi zone or hailed on the street to carry up to 5 passengers.

^d The Sunday/Holiday surcharge applies in country areas only and applies to journeys commencing between 6am and 10pm on a Sunday or public holiday.

Box 1.1 IPART's review process

As part of this review, IPART undertook a public consultation process and its own analysis. In particular, IPART:

- ▼ Invited the NSW Taxi Council to submit a fare proposal and made this proposal publicly available on the IPART website.
 - ▼ Released an information paper that explained the NSW Taxi Council's fare proposal, the scope and process of IPART's review, and the key issues for consideration.
 - ▼ Invited submissions from interested parties and considered all submissions it received.
-

1.3 Structure of this report

This report explains IPART's review and recommendations in more detail, and is structured as follows:

- ▼ Chapter 2 explains IPART's role in regulating taxi fares and how the Taxi Cost Index is used to estimate the change in the cost of providing taxi services works.
- ▼ Chapter 3 discusses IPART's estimate of the change in this cost over the past 12 months and outlines its approach for dealing with any volatility in the price of LPG over the coming 12 months.
- ▼ Chapter 4 sets out IPART's recommendations on maximum taxi fares from 1 July 2009, and discusses its considerations about individual fare components.
- ▼ Chapter 5 discusses the impact of these recommendations on the cost of typical taxi journeys and the expected impact on passengers, the taxi industry, the environment and the Government.
- ▼ Chapter 6 outlines IPART's considerations of the available data on NSW taxi services standards over the past year and compares the results to last year's for both standard and wheelchair accessible taxis.

2 What is IPART's role in regulating taxi fares, and how does the Taxi Cost Index work?

As Chapter 1 noted, IPART reviews the fares for taxi services in NSW each year, and recommends to the Minister of Transport how much maximum fares should increase (or decrease) compared to the previous year's maximum fares. IPART's role is to ensure that its recommended annual change in fares reflects the increase (or decrease) in the costs of providing taxi services to passengers that have occurred since its last review. After considering IPART's recommendations, the Minister decides on the maximum fares that will apply.

It is important to note that IPART does not regulate the earnings of taxi drivers. How much drivers earn is determined by the fares they collect and their costs. IPART's recommended fares are one factor that influences the value of the fares drivers collect but there are other important factors, such as the supply and demand for taxi services. The level of the various costs faced by drivers is unregulated, with one exception: The maximum pay-in that operators can require drivers in urban areas to pay is governed by an Industrial Relations Contract Determination.¹

Since IPART began reviewing taxi fares in 2001, it has 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). Three years ago, IPART reviewed whether it should continue to use this cost index approach, including seeking the views of stakeholders. IPART concluded that this approach remains the most appropriate one for the NSW taxi industry.²

The sections below discuss why IPART uses a cost index approach, how the TCI works, and IPART's decisions on the cost items, weightings and inflators for 2009.

2.1 Why does IPART use a cost index approach?

IPART uses a cost index approach to regulate NSW taxi fares because it considers this approach to be most appropriate for the NSW taxi industry. This is because the industry comprises several layers of market participants, each of which has varying levels of market power and varying sensitivity to taxi fare outcomes. (See Appendix D for more information.) This type of industry structure lends itself to an index-

¹ Industrial Relations Commission of NSW, *Taxi Industry (Contract Drivers) Contract Determination, 1984*.

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

based approach rather than the more traditional ‘building block’ approach that is applied in most other regulated industries.

IPART’s approach is consistent with those of other Australian regulators, all of which use some form of index to determine increases in taxi fares. For example, like IPART, regulators in the ACT, Queensland, South Australia and the Northern Territory use an industry-specific cost index.

2.2 How does the Taxi Cost Index work?

The TCI is intended to measure, in percentage terms, how much the overall cost of providing taxi services has changed in the 12 months since IPART’s last review. The TCI consists of a basket of taxi cost items – such as fuel, labour and insurance costs. These items are weighted according to what proportion of the overall cost of providing taxi services they represent.

There is a separate TCI for urban and for country taxis. In general, these indices include the same cost items but the items have different weightings to reflect the differences in the cost structure between urban and country taxis.

In addition, each cost item has a relevant ‘inflater’. The inflators are selected on the basis that they provide the best available indication of how the cost item changes over time. Wherever possible, IPART has selected inflators that are based on publicly available information. For example, the relevant inflater for the insurance cost item is the change in the insurance services component of the CPI.

At the start of each review, IPART establishes the relative weighting for each cost item in the TCI, and its relevant inflater. It then establishes the change in that inflater over the review period, and multiplies the weighting by this value, to establish the contribution of any increase or decrease in the cost item since the last review to the overall change in the cost of providing taxi services. Both the weighting of the cost item and value of the inflater affect its contribution to this overall change.

Table 2.1 provides an illustration of how the overall change in the TCI is calculated.

Table 2.1 Illustrative example of how the change in the TCI is calculated

Cost item	Weighting at start of the review	Change in relevant inflater	Calculated contribution to change in the TCI
	%	%	%
Labour	40	5.0	2.0
Fuel	30	10.0	3.0
Insurance	20	1.0	0.2
Maintenance	10	15.0	1.5
Total	100	-	6.7

2.3 Cost items, weightings and inflators used for the 2009 review

Over 2007 and 2008, IPART undertook a comprehensive review of the costs, cost weightings and inflators in the TCI. As part of that review, IPART consulted extensively with interested parties and considered the results of an industry-wide survey of the costs of providing taxi services in NSW undertaken by PricewaterhouseCoopers (PwC) in 2007. It released an issues paper and a draft report on its findings for public comment, and held a public hearing to discuss the results of the survey and related issues.

At several stages in the review process, IPART indicated that its aim in undertaking such a detailed review was to ensure that the resulting TCI can be adjusted each year without significant review or revision of its components. More specifically, IPART clearly indicated that it intended to establish the costs, cost weightings and inflators in the TCI and use these for the next four years without major revision.³

Therefore, in line with this approach, IPART decided not to make major changes to the TCI this year. For both the urban and country indices, the cost items included, and their weightings and inflators are largely the same as those used for last year's review. The only changes IPART made were to update the relative weightings of the cost items to reflect the changes in these costs between April 2007 and March 2008 (as determined by the 2008 review) and make a minor revision to the fuel inflator⁴.

In making its decisions, IPART considered all the stakeholder submissions it received. In particular, it considered the views of the NSW Taxi Drivers Association (NSWTDA) and the Australia Taxi Drivers Association (ATDA). Both drivers associations criticised the weightings in the TCI, specifically the relative weightings of the driver and operator cost items. Their main concerns were that in their view:

- ▼ the value of notional drivers' wages is too low (the hourly rate should be at least equal to bus drivers)
- ▼ the underlying assumptions regarding hours per shift, shifts per week, and weeks per year are incorrect
- ▼ the TCI does not include significant cost items to the driver, including GST, fuel costs while on waiting time, vehicle cleaning costs, costs of fare evasions and robberies.

IPART notes that the cost items included in the TCI and their value and relative weightings are largely based on the costs (and underlying operational assumptions) identified in the 2007 survey by PwC mentioned above. This survey was based on responses from a significant number of drivers and operators, and provided an unprecedented amount of cost and operational information on which to base the TCI.

³ For example, IPART, *2008 Review of Taxi Fares in NSW – Final Report and Recommendations*, June 2008, p 10.

⁴ IPART has used Fueltrac data that most closely matches the urban and country fare zones, but has excluded data for some country towns as Fueltrac considers this data to be less reliable.

Every taxi driver and operator in NSW was invited to participate in the survey. Of the 1,767 responses received, over 80 per cent were from drivers.

IPART also notes that all of the issues raised by the drivers associations in relation to the costs in the TCI were raised and considered in detail during last year's review. Further, it notes that there was no general agreement among stakeholders on these issues. Therefore, IPART considered all the views put to it and then made its own judgment. In this situation, it is not altogether surprising that some stakeholders have not agreed with IPART's judgement. (More specific comments on how IPART addressed the issues raised by the NSW TDA and ATDA are provided in Appendix E.)

In relation to driver entitlements, last year IPART decided to include a notional value for these entitlements equal to 15 per cent of the base notional wage rate. In order to assist with the IRC process, IPART allocated the cost of these entitlements between drivers and operators by allocating to operators a cost equal to the cost of complying with their obligations under the contract determination.⁵ The residual value of entitlements was deemed to be notionally self-funded and allocated to drivers (reflecting the fact that casual drivers and drivers in country areas are not covered by the IRC determination and must make their own provision for entitlements). IPART has again taken this approach for allocating entitlements between drivers and operators this year.

IPART's decisions on the costs, weightings and inflators for the urban TCI and the country TCI for 2009 review are shown in Table 2.1 and Table 2.2.

Table 2.1 IPART's decisions on costs, weightings and inflators for the urban Taxi Cost Index, 2009 review

	Costs at the start of the review (\$)	Weighting (% of overall cost)	Inflator
Driver costs			
Notional drivers' wages	82,102	39.2	WPI-X ^a
Notional self-funded entitlements	3,047	1.5	WPI-X ^a
Driver superannuation	8,498	4.1	WPI-X ^a
LPG fuel	15,669	7.5	Fueltrac LPG daily price data
Other drivers' costs	5,113	2.4	CPI
Total drivers' costs	114,429	54.6	
Operator costs			
Driver entitlements in the Contract Determination	9,269	4.4	IRC determination cost

⁵ A typographical error in the report resulted in a slightly lower than intended allocation of entitlements to operators and a slightly higher allocation to drivers for 2007 – it did not affect the outcome of the TCI, nor the rounded cost increase for drivers or operators.

2 What is IPART's role in regulating taxi fares, and how does the Taxi Cost Index work?

	Costs at the start of the review (\$)	Weighting (% of overall cost)	Inflator
Operators' salary equivalent	14,423	6.9	WPI-X ^a
Maintenance costs	10,154	4.8	CPI (motor vehicle repair and servicing)
Plate lease costs	27,534	13.1	Quotes provided by NSW Taxi Council
Insurance	15,223	7.3	CPI (insurance services)
Vehicle lease payments	5,237	2.5	CPI (motor vehicles)
Network fees	6,824	3.3	Weighted average of urban network fees
Other operators' costs	6,381	3.0	CPI
Total operators' costs	95,045	45.4	
Overall cost	209,474	100.0	

^a X represents an adjustment for productivity, which may differ for drivers and operators labour costs.

Table 2.2 IPART's decisions on costs, weightings and inflators for the country Taxi Cost Index, 2009 review

	Costs at the start of the review (\$)	Weighting (% of overall cost)	Inflator
Driver costs			
Notional drivers' wages	83,366	42.2	WPI-X ^a
Notional self-funded entitlements	12,505	6.3	WPI-X ^a
Driver superannuation	8,628	4.4	WPI-X ^a
Other drivers' costs	3,236	1.6	CPI
Total drivers' costs	107,735	54.6	
Operator costs			
Operators' salary equivalent	14,645	7.4	WPI-X ^a
LPG fuel	13,386	6.8	Fueltrac LPG daily price data
Maintenance costs	8,248	4.2	CPI (motor vehicle repair and servicing)
Plate lease costs	21,696	11.0	Quotes provided by NSW Taxi Council
Insurance	8,672	4.4	CPI (insurance services)
Vehicle lease payments	5,237	2.7	CPI (motor vehicles)
Network fees	9,616	4.9	Weighted average of urban network fees
Other operators' costs	8,160	4.1	CPI
Total operators' costs	89,661	45.4	
Total costs	197,396	100.0	

^a X represents an adjustment for productivity, which may differ for drivers and operators labour costs.

3 Estimated change in the cost of providing taxi services

IPART estimated the change in the overall cost of providing taxi services since its 2008 review by calculating the change in urban and country TCIs, using the cost items, weightings and inflators discussed in Chapter 2. The section below provides an overview of IPART's findings. The subsequent sections discuss its considerations in relation to specific cost items in more detail and its decision to retain a mid-year review of LPG fuel prices.

3.1 Overview of IPART's findings

IPART found that between 1 April 2008 and 31 March 2009, the overall cost of providing taxi services in NSW increased by 4.2 per cent in urban areas and by 4.1 per cent in country areas, as shown in Tables 3.1 and 3.2.

In addition, IPART found that the fuel cost item continued to show signs of volatility over the review period (though for the most part, this cost had moved down rather than up as it did in the previous review period). IPART decided to retain a mid-year review of LPG fuel costs, to ensure that passengers can benefit from reductions in fuel costs.

Table 3.1 Estimated change in the cost of providing taxi services in urban areas over the year to 31 March 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	39.2	3.5 ^a	1.4
Notional self-funded entitlements	1.5	3.6 ^b	0.1
Driver superannuation	4.1	3.5 ^a	0.1
LPG fuel	7.5	0.8	0.1
Other drivers' costs	2.4	3.8	0.1
<i>Total drivers' costs</i>	<i>54.6</i>	<i>3.2</i>	<i>1.7</i>
Operator costs			
Driver entitlements in the Contract Determination	4.4	3.5 ^b	0.2
Operators' salary equivalent	6.9	3.2 ^a	0.2
Maintenance costs	4.8	2.2	0.1
Plate lease costs	13.1	8.2	1.1
Insurance	7.3	10.7	0.8
Vehicle lease payments	2.5	-2.3	-0.1
Network fees	3.3	0.8	0.0
Other operators' costs	3.0	3.8	0.1
<i>Total operators' costs</i>	<i>45.4</i>	<i>5.4</i>	<i>2.4</i>
Total costs	100.0		4.2

^a All labour cost items have been inflated by WPI-X, where X represents an adjustment for productivity. The measured movement in the WPI was 3.8 per cent, and IPART's decision on the productivity adjustment was 0.3 per cent for drivers, and 0.6 per cent for operators. Therefore, the inflators for driver and operator labour cost items were 3.5 per cent and 3.2 per cent respectively.

^b The drivers' entitlements cost item was inflated by WPI-X (3.5%) 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. As the cost of meeting the obligations in the contract determination was slightly less than WPI-X, the amount allocated to drivers has increased by more than WPI-X.

Note: Figures may not add due to rounding.

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

	Weighting at the start of the review	Change in cost item	Contribution to overall change in TCI
Driver costs			
Notional drivers' wages	42.2	3.5 ^a	1.5
Notional drivers' self-funded entitlements	6.3	3.5 ^a	0.2
Drivers' superannuation	4.4	3.5 ^a	0.2
Other drivers' costs	1.6	3.8	0.1
<i>Total drivers' costs</i>	<i>54.6</i>	<i>3.5</i>	<i>1.9</i>
Operator costs			
Operators' salary equivalent	7.4	3.2 ^a	0.2
LPG fuel	6.8	5.2	0.4
Maintenance costs	4.2	2.2	0.1
Plate lease costs	11.0	8.2	0.9
Insurance	4.4	10.7	0.5
Vehicle lease payments	2.7	-2.3	-0.1
Network fees	4.9	0.8	0.0
Other operators' costs	4.1	3.8	0.2
<i>Total operators' costs</i>	<i>45.4</i>	<i>4.8</i>	<i>2.2</i>
Total costs	100.0		4.1

^a All labour cost items have been inflated by WPI-X, where X represents an adjustment for productivity. The measured movement in the WPI was 3.8 per cent, and IPART's decision on the productivity adjustment was 0.3 per cent for drivers, and 0.6 per cent for operators. Therefore, the inflators for driver and operator labour cost items were 3.5 per cent and 3.2 per cent respectively.

Note: Figures may not add due to rounding.

IPART made no significant changes to the inflators it uses in the TCI this year. There are a number of cost items for which IPART needs to identify inflators where the cost is essentially a monopoly. These circumstances present a difficulty for IPART in regulating the end price of taxi services. IPART cannot resolve this type of structural issue through fare regulation. If IPART was to select an inflator that reflects changes in efficient costs rather than changes in actual costs, it will reduce the income of drivers and operators but will not make any difference to the level of costs they face.

IPART notes that in urban areas, operator costs have increased by more than driver costs. This is because the two cost items that increased the most (insurance costs and plate lease costs) are attributed to operators. The most significant costs attributed to drivers are labour-related costs and LPG costs, both of which rose less than insurance and plate lease costs.

In country areas, operator costs also increased by more than driver costs but to a lesser extent. This is because in country areas, LPG costs are attributed to operators, and this has resulted in a slightly lower cost increase for operators and a slightly higher cost increase for drivers compared with urban areas.

Table 3.3 compares the change in costs for drivers and operators over the past year, under the TCI.

Table 3.3 Operator and driver cost increases under the TCI

	Urban	Country
Operator cost increase	5.4%	4.8%
Driver cost increase	3.2%	3.5%
Overall cost increase	4.2%	4.1%

3.2 Labour cost items

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 full-time drivers with paid annual and sick leave. Casual or part-time drivers in urban areas and all drivers in country areas must self-fund their entitlements.

IPART inflated all these cost items by the movement in the Wage Price Index (WPI) minus X, where X represents an adjustment for expected improvements in productivity over the coming year. The movement in the WPI over the review period was 3.8 per cent. IPART decided that productivity adjustments of 0.3 per cent for drivers and 0.6 per cent for operators were appropriate for the coming year. Therefore, in general, it adjusted those labour cost items that are driver costs by 3.5 per cent, and those that are operator costs by 3.2 per cent.

The sections below discuss IPART's considerations in relation to the productivity adjustments, and its approach for the drivers' entitlements cost items in urban areas in more detail.

3.2.1 Considerations in relation to productivity adjustments

When the productivity of the taxi industry increases, the real cost of providing taxi services for given inputs decreases. By adjusting the annual change in the labour cost items of the TCI to account for expected productivity improvements, IPART aims to ensure that taxi customers share some of the benefits of these improvements through lower fares, as would be the case in a competitive market. IPART also aims to provide an incentive for operators and drivers to make productivity improvements that are at least as great as the adjustment to maintain their income or profitability.

Little information was available for IPART to assess the likely productivity improvements in the taxi industry over the coming review period. Taxis essentially operate as small businesses, and their productivity is closely linked to the patronage of their services.

Given the lack of information, IPART developed its own conservative estimate of the productivity growth achievable in the taxi industry, taking account of:

- ▼ the productivity trends in the broader economy
- ▼ stakeholder comments, and
- ▼ any industry circumstances that may affect the scope for productivity improvements in the taxi industry.

Productivity trends in broader economy

The ABS measures the change in gross value added per employee in the transport and storage industry. However, IPART considers that this measure is not applicable to the taxi industry as it includes business units that are unrelated to passenger transport.⁶ Therefore, IPART focuses more on the ABS's range of economy-wide productivity measures. As Table 3.4 shows, these measures suggest that in general productivity growth has been positive over recent years.

As the growth in productivity has varied from year to year, IPART tends to give most weight to the five-year average annual growth in productivity. As Table 3.4 also shows, for gross value added per hour worked (all industries) this average annual growth was 1.1 per cent, while for labour productivity per hour worked, it was 1.4 to 1.5 per cent.

⁶ For example, it includes: freight transport by road, rail, water or air; terminal facilities for freight; services related to transport such as car parking, stevedoring, harbour services, navigation services, airport operation or port operation, booking, travel, freight forwarding, crating or customers agency services; and storage facilities. It also includes business units that are mainly engaged in operating pipelines for the transportation of oil and gas on a contract for fee basis.

Table 3.4 ABS measures of the annual growth in productivity (%)

	2003/04	2004/05	2005/06	2006/07	2007/08	5-year average
Gross value added per hour worked						
Transport & storage	-2.2	2.5	2.1	3.8	-1.0	1.0
All industries	2.0	0.4	1.3	0.7	0.9	1.1
Market sector productivity						
Labour productivity per hour worked	3.0	0.1	2.5	0.7	1.1	1.5
Labour productivity per hour worked (quality adjusted)	3.0	0.1	2.5	0.4	0.8	1.4
Capital productivity	-0.1	-1.5	-2.6	-1.6	-2.3	-1.6
Multifactor productivity per hour worked	1.6	-0.6	0.3	-0.3	-0.4	0.1
Multifactor productivity per hour worked (quality adjusted)	1.7	-0.6	0.2	-0.5	-0.6	0.3

Source: Australian Bureau of Statistics, Catalogue 5204.0, *Australian System of National Accounts 2007-08*.

Stakeholder comments

The NSW Taxi Council did not include a productivity adjustment in its fare proposal and referred to its submissions to previous reviews where it raised concerns about the inclusion of productivity adjustments in general. It also suggested that productivity has fallen by 5.1 per cent in the transport sector, and increased by only 0.2 per cent across all sectors.⁷

The NSW Taxi Drivers Association also opposed the inclusion of a productivity adjustment.⁸ In addition, Mr P Fletcher argued that productivity has been eroded in the taxi industry in recent years with the introduction of No Stopping Zones which make it illegal to pick up and set down in the manner customers expect and results in dead kilometres and loss of business.⁹

On the other hand, the Physical Disability Council of NSW supported a labour cost adjustment linked to productivity increases.¹⁰ The Australian Taxi Drivers Association, though not supporting a productivity adjustment, argued that there is scope to improve efficiency in the taxi industry.¹¹

⁷ NSW Taxi Council submission, March 2009, p 5.

⁸ NSW Taxi Drivers Association submission, April 2009, p 14.

⁹ P Fletcher submission, April 2009.

¹⁰ Physical Disability Council of NSW submission, April 2009.

¹¹ Australian Taxi Drivers Association submission, April 2009, p 11.

Industry circumstances affecting the scope for productivity improvements

The productivity of taxi drivers and operators depends on the number of paid trips per hour worked. Unfortunately the information required to make this calculation is not available. Table 3.5 below summarises the available information on taxi industry supply and demand since 2002.

Table 3.5 Information on taxi supply and demand in urban NSW

Indicator	Average annual change 2002-06 (%)	Average annual change 2006-08 (%)
Number of taxis	1.7	1.6
Average weekday taxi trips ^a	0.8	Not available
Total number of booked taxi pick-ups ^b	Not available	-2.3
Airport passengers (arrivals and departures) ^c	5.8	6.2
Sydney tourism (visitor nights) ^d	3.1	-2.2
Population ^e	0.7	1.3

^a As measured by the Household Travel Survey conducted by the Transport data Centre, for trips taken by households in Sydney, Newcastle and the Illawarra.

^b Obtained from taxi network KPI information provided by the Ministry of Transport, represents approximately 20 per cent of all taxi trips.

^c Bureau of Infrastructure, Transport and Regional Economics Airport Traffic Statistics – Airport Traffic Data 1997-98 to 2007-08 - total revenue passengers for Sydney Airport.

^d Measured as the number of visitor nights in Sydney, obtained from Tourism Australia's National and International visitor surveys.

^e Total of Sydney and Illawarra statistical divisions and the Newcastle statistical sub-division, consistent with the area used for the household travel survey, obtained from the Australian Bureau of Statistics Catalogue 3218.0.

Source: Transport Data Centre, Ministry of Transport, Tourism Australia, ABS.

Travel by Sydney residents is the largest contributor to taxi travel – with residents making around 45 million taxi trips per year.¹² Between 2002 and 2006, the Transport Data Centre reports that taxi trips taken by Sydney households has grown by around 0.8 per cent per year; slightly higher than the increase in the urban population over the same period.¹³ More recent data from the Transport Data Centre on household taxi travel has not yet been released and the available evidence from other sources is mixed. The rate of population growth since 2006 was almost double the rate in the preceding 5 years – suggesting a rise in taxi usage. However, for the same period KPI data shows a reduction in booked taxi trips over this period – from 9.4 million to just under 9 million per year (a reduction of 2.3 per cent per year).¹⁴

¹² Transport Data Centre Household Travel Survey, 2005 figure of 121,000 trips per day assumed to apply for 365 days a year.

¹³ The urban population has increased by 0.7 per cent per annum over the time period 2002-2006.

¹⁴ As booked trips represent only around 20 per cent of total taxi trips they may not be a reliable guide to total taxi usage.

Business travel and tourism are also significant contributors to taxi travel. Approximately 37 per cent of passengers that access Sydney airport use a taxi – or around 10.7 million taxi trips.¹⁵ The number of passengers arriving and departing Sydney airport has risen significantly over recent years – 5.8 per cent per year for the five years to 2006 and 6.2 per cent per year between 2006 and 2008. Other tourist travel contributes further to taxi trips, although there is limited information to suggest how much additional taxi travel is tourism related. Another indicator is visitor nights. Between 2002 and 2006, the total number of visitor nights in Sydney rose strongly by 3.1 per cent a year. Since 2006 the number of visitor nights in Sydney has fallen by 2.2 per cent a year.

IPART's considerations and decisions on the productivity adjustment

Having regard to all of the above, IPART has not changed its view that an adjustment to account for expected productivity improvements is appropriate. Over the medium term, IPART considers that there is scope for productivity improvement in the taxi industry. However, it accepts that there is likely to be more limited scope for productivity improvements within the taxi industry over the next year than has occurred within the broader economy over the last five years. Nevertheless, it considers that there is still some scope for the industry to improve its productivity. For example, sources of productivity include:

- ▼ improvements in technology – such as GPS technology to improve trip time and make central despatch more effective, SMS and internet bookings
- ▼ training for taxi drivers to enable them to improve service quality and increase the demand for services through quality improvements
- ▼ operational improvements to increase the ratio of paid kilometres to unpaid kilometres – for example, better positioning of taxis between trips.

In terms of driver productivity, IPART accepts that drivers may not be able to make productivity improvements in line with a conservative estimate of what is achievable in the broader economy due to external factors that directly affect their work (eg, traffic congestion, speed limits and parking restrictions). In addition, the economic downturn is likely to further inhibit opportunities to improve productivity as demand for taxi services is likely to fall. On this basis, IPART has decided that a productivity adjustment of 0.3 per cent is appropriate for drivers.

However, IPART considers that operators should be able to make productivity improvements that are more in line with a conservative estimate of what is achievable in the broader economy. All of the reasons for lower productivity identified in submissions relate to the productivity of drivers and not operators. As a result, these factors do not support a reduction in operator productivity to the same

¹⁵ Sydney Airport Corporation, *2006 Airport Ground Travel Plan* – of the 29.1 million passengers that passed through Sydney Airport in 2005, approximately 37 per cent used a taxi. Taxis account for 25% of total journeys to and from Sydney airport including passengers, meeters and greeters and employees.

extent as driver productivity. On this basis, IPART has decided that a productivity adjustment of 0.6 per cent is appropriate for operators. To put this into context, a productivity gain of 0.6 per cent for operators is roughly equivalent to them completing their weekly administration 4 minutes faster.¹⁶

Both of these productivity adjustments are consistent with those applied by IPART in last year's review. IPART considers that productivity adjustments should be based on a medium term perspective rather than on a single year. The adjustments above were considered in last year's review and IPART considers that they are still appropriate for the industry.

3.2.2 Considerations in relation to the driver entitlements cost items in the urban TCI

In urban areas, some of the drivers' entitlements cost item is most appropriately considered an operator cost because under the Industrial Relations Commission contract determination, operators are legally obliged provide full-time drivers with paid annual and sick leave. To address this, IPART:

- ▼ maintained the same basis for determining the value of the drivers' entitlements cost item as last year (when entitlements were determined as a loading on notional wages, similar to the method for determining superannuation)
- ▼ inflated this whole amount by 3.5 per cent (ie, by the change in the WPI minus the productivity adjustment for drivers)
- ▼ allocated the portion of this amount associated with meeting urban operators' legal obligations to operator costs (shown on Table 3.1 as 'Driver entitlements in the contract determination')
- ▼ allocated the remainder of this amount to driver costs (shown on Table 3.1 as 'Notional drivers' self-funded entitlements').

IPART considers this approach is appropriate, as it ensures the basis for the drivers' entitlements cost item remains unchanged, while also ensuring that this cost item is allocated between drivers and operators in a way that is consistent with the Industrial Relations Commission contract determination. However, one effect is that after the cost item is allocated between drivers and operators, the change in the cost of the drivers' component was more than 3.5 per cent (even though the whole cost item was inflated by 3.5 per cent).

¹⁶ Assuming operators spend 10 hours on administration per taxi per week, as indicated by the PwC survey.

3.3 LPG fuel

IPART inflated the LPG fuel cost item using Fueltrac data on the daily price of LPG fuel. More specifically, IPART used data on the daily average fuel price for the fourteen months from 1 April 2007 to 31 May 2008, compared with the daily average fuel price for the eleven months to 30 April 2009.¹⁷ In line with this data, IPART inflated this cost item by:

- ▼ 0.8 per cent in urban areas
- ▼ 5.2 per cent in 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 the approach taken by the NSW Taxi Council for 2009. While the majority of taxis in the urban area are in Sydney, the inclusion of Newcastle and Wollongong data ensures that all relevant Fueltrac data is taken into account in the inflator.¹⁸ The inclusion of Newcastle and Wollongong data does not have a significant impact on the inflator value and has no impact on the overall TCI outcome when the same dataset is used in both years.

The value of the inflator for country areas reflects the average daily price data from all towns in the country fare zone except for five towns where Fueltrac advised that the data is collected sporadically or is not checked.¹⁹ The exclusion of data from these towns has no significant impact on the inflator value and no impact on the TCI outcome when the same dataset is used in both years.

IPART has used Fueltrac data to inflate the LPG fuel cost item of the TCI since 2006. Due to recent volatility in the price of LPG, IPART uses the most recent prices available at the time of making its decision. Last year, the most recent prices available were those to 31 May. This year, most recent prices available were to 30 April. However, because IPART uses a daily average price, this difference in the time periods used in each year does not affect the overall TCI outcome.

3.4 Network fees

IPART inflated the network fees cost item by the weighted average change in urban network fees over the year to 31 March 2009, using data provided by the Ministry of Transport and the urban taxi networks. IPART calculated that the value of this inflator was 0.8 per cent. IPART considers it appropriate to inflate the network fees cost item by this amount in both urban and country areas, given that the services provided by urban and country networks are very similar.

¹⁷ Although the time periods are different, the use of a daily average takes this into account. This approach is consistent with the approach taken last year where IPART used a 12 month average and a 14 month average.

¹⁸ Fueltrac data is not available for any other towns in the urban fare zone.

¹⁹ Cowra, Coonabarabran, Glen Innes, Inverell and Narrabri have been excluded.

The network fees cost item reflects the cost incurred by taxi operators in providing taxi booking services 24 hours per day, seven 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.

For the past few years, IPART has inflated this cost item based on data on actual network fees provided either directly by urban networks or by the Ministry of Transport. Prior to this, it used data provided by the NSW Taxi Council. While actual network fee data has the advantage of accuracy, it is not publicly available and is provided by the networks themselves (even if it comes via the Ministry or the Taxi Council). In its 2008 final report, IPART indicated it would continue to explore options for estimating the change in network fees using an independent (non-industry) source of data.

Several stakeholders who made submissions to the 2009 review raised concerns about the continued use of industry-reported data to inflate this cost item.²⁰ Even in urban areas where there is theoretically competition, there is much cross-ownership of urban networks and a couple of the larger networks have significant market share. (For example, there are 11 networks in Sydney, but one network deals with 40 per cent of all taxis.) Given there may be limited competition in the market for network services, the level of network fees reported by the industry may not represent efficient outcomes.

However, IPART notes that while this may be the case, its recommendations on the changes in maximum taxi fares have no ability to directly influence the level of network fees, or create incentives for more efficient fees. Rather, IPART's recommendations directly influence the incomes of taxi drivers and operators. Network fees represent a real cost of providing taxi services, as every taxi must belong to an accredited network. Therefore, it is important that the TCIs for both urban and country areas include this cost item, and that the cost item is inflated by an appropriate value.

In its submission, the Physical Disability Council of NSW suggested that issues of independence could be addressed through independent third party audits of the industry data provided.²¹ While IPART agrees that auditing may be a good means of ensuring that networks are reporting data that matches their actual charges it does not overcome concerns regarding the actual level of network fees. In addition, under the current terms of reference, IPART does not have legal powers to impose auditing requirements on networks.

²⁰ Australian Taxi Drivers Association submission, April 2009, p 13 and Physical Disability Council of NSW submission, p 3.

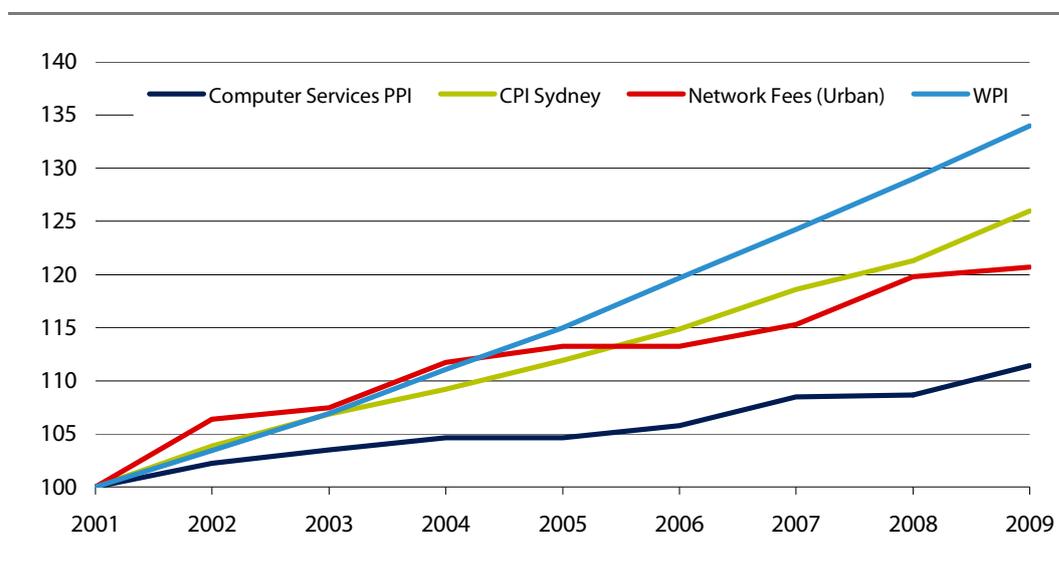
²¹ Physical Disability Council of NSW submission, April 2009, p 3.

IPART considered whether it would be appropriate to use a published cost index to inflate the network fees cost item. Network services primarily comprise labour and information technology services. Therefore IPART considered whether the following indexes were comparable to network fee changes:

- ▼ WPI
- ▼ CPI – Sydney
- ▼ CPI – audio, visual and computer equipment²²
- ▼ Computer Services Producer Price Index (PPI).²³

Figure 3.1 compares the changes in network fees reported by the taxi industry since 2001 with the changes in the WPI, the CPI – Sydney, and the Computer Services PPI over the same period. The figure suggests that change in the CPI – Sydney is a closer match to the change in network fees reported over the past eight years than the other options. However, the CPI – Sydney increased by less than the actual change in network fees from 2001 to 2005, and by more than this actual change from 2005 to 2009. In the year to March 2009, network fees increased by 0.8 per cent with the CPI – Sydney increased by 3.8 per cent.

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



Data source: ABS, IPART reports.

IPART considers that while using the CPI – Sydney to inflate the network fees cost item has the advantages of independence, transparency and data reliability, it is likely to be less cost-reflective than using actual network data. As this cost item has a

²² Includes the cost of computer hardware as well as a number of other goods such as televisions, videos and stereos. ABS Catalogue 6440.0.

²³ Includes data processing, information storage and retrieval, computer maintenance and computer consultancy services. ABS catalogue 6427.0. Tables 22, 23 and 34 – property and business services industries, index numbers and percentage changes.

relatively small weighting in the TCI – it contributes less than 5 per cent of the overall costs of providing taxi services – the choice of inflator does not make a significant difference to the fare increase calculated. IPART will seek comment as part of next year’s fare review on whether there is support for it to use the change in the Sydney CPI to calculate increases in network fees in the future.

3.5 Plate lease costs

IPART inflated the licence plate lease costs item based on quotes provided by the NSW Taxi Council, which it checked for reasonableness against publicly available data on advertised leases. In line with these quotes, IPART estimated that this cost item increased by 8.2 per cent over the review period.

IPART also considered stakeholder concerns about whether licence plate lease costs should be included in the TCI, and whether an appropriate, non-industry source of data to inflate this cost item is available.

3.5.1 Considerations in relation to the inclusion of plate lease costs in the TCI

Several stakeholders raised concerns about the inclusion of licence plate lease costs in the TCI, as licence values are heavily influenced by the relativity between the supply of taxi licences and the demand for taxi services.

IPART notes that licence plate lease costs are included in the TCI as they are a real cost of providing taxi services. Most urban operators lease taxi plates rather than own them (81 per cent), while most country operators own their licence plates (only 31 per cent lease them).²⁴ Plate lease costs contribute 13 per cent of the overall cost of providing taxi services in urban areas, and around 11 per cent of this overall cost in country areas. Lease costs have been increasing at a faster rate than other costs in the TCI and this has contributed to higher fares.

In relation to stakeholders’ specific concern, IPART has previously indicated that while licence values may be influenced by the available supply of licences, it does not consider this issue can be addressed through its fare recommendations. In last year’s final report, IPART noted that there had been a substantial increase in plate transfer values and made the following comment:

If the higher plate values flow through to higher lease costs then IPART will be required to raise fares to reflect that outcome. One of the potential causes of the increase in licence plate values is a shortage of licences when compared to growth in demand for services. Given that there is no statutory limit or cap on the number of licences which may be issued, IPART considers that the Ministry of Transport (which administers taxi licensing arrangements) may wish to investigate this issue.²⁵

²⁴ Ministry of Transport supporting data.

²⁵ IPART, *2008 Review of taxi fares in NSW – Final Report and Recommendations*, June 2008, p 47.

IPART maintains its view that this is a matter for the Government, rather than IPART, to address. Nevertheless, it notes that the rate of growth in the number of taxis has exceeded the rate of growth in the Sydney population since 2002 (see section 3.2.1).

3.5.2 Considerations in relation to alternative inflators

Prior to 2008, licence plate lease costs were inflated by applying an interest rate to the market value of taxi licence plates. Last year, this resulted in a substantial increase in licence plate lease costs that the industry argued did not reflect the real change in costs experienced over this period. As a result, IPART decided to change its approach and to inflate plate lease costs using quotes for leasing taxi licences sourced from a sample of taxi networks and provided to IPART by the NSW Taxi Council. However, IPART indicated it would continue to explore options for obtaining information on lease costs from a non-industry source to ensure the measure is as independent as possible.

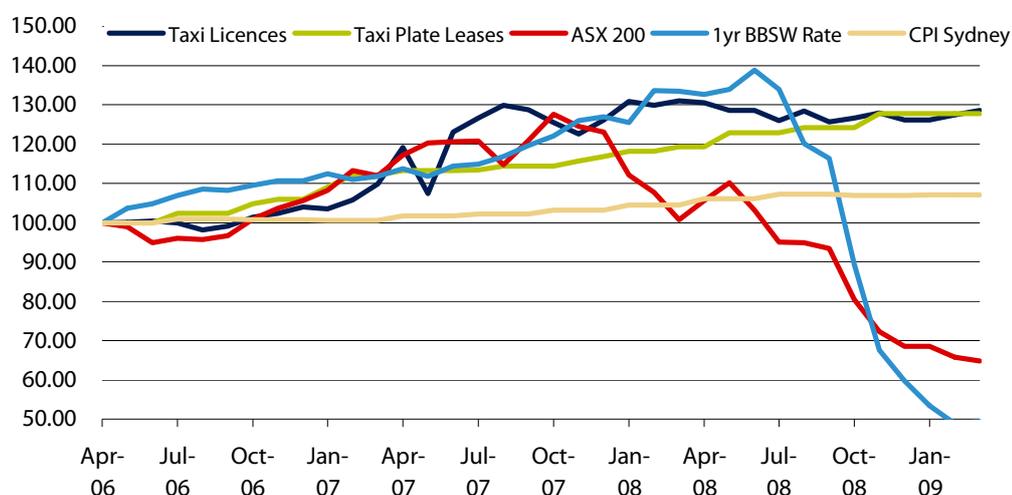
IPART notes that in Victoria, both licence plate sales and plate lease costs are published on the Bendigo Stock Exchange website.²⁶ However, in NSW, there is no independent source of this information. The Ministry of Transport records the value of all plate transfers. The Ministry of Transport requires lease arrangements to be registered but does not collect information on the value of the lease.

For this review, IPART considered several alternative inflators including interest rates, investment indexes (like the ASX200) and published cost indexes (like CPI). However, it found that none of these were appropriate because:

- ▼ They are not likely to be cost reflective. It is not possible to break down the lease cost into component parts and identify an index that reflects those components.
- ▼ There is little, if any, scope to create incentives for efficiency gains in lease costs through fares. Drivers and operators are the recipients of fare revenue and they have no control over lease costs which they then have to pay.

Figure 3.2 compares the changes in licence plate transfer values and licence plate lease costs to those in ASX200, 1-year bond rates and the CPI – Sydney over the last three years. It shows that plate lease costs have continued to increase while other investment measures have fallen dramatically. It also indicates there is no clear relationship between changes in plate lease costs and other forms of investment or the CPI.

²⁶ In Victoria, metropolitan taxi licences may only be purchased through industry brokers who must be licensed by BSX Services Pty Ltd (a member of the Bendigo Stock Exchange Group [BSX]). BSX Services manages the BSX Taxi Market system. It posts assignment rates and sale prices on a public register and sets business rules for brokers.

Figure 3.2 Change in the value of taxi licences, plate leases and alternative inflators

Data source: NSW Ministry of Transport, NSW Taxi Council, ABS, Australian Stock Exchange and Australian Financial Review. Lease costs are based on data from the NSW Taxi Council for 2008 and 2009. ASX 200 represents the average closing price of the ASX 200. The BBSW is a bank bill swap rate, reference rate, Commonwealth, source: Australian Financial Review.

On balance, IPART considers that using the information provided by the NSW Taxi Council remains the most appropriate approach in the short term. However, in the future, it considers that the Ministry of Transport should collect lease cost information. This would provide an independent source of data and should improve the quality of information as it would reflect all recent plate lease costs.

Recommendation

- 1 That the Ministry of Transport begin collecting data on the value of all taxi licence leases entered into in NSW, for use by IPART in future fare reviews.

3.6 Maintenance costs

IPART 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 four quarters to 31 March 2009 divided by the average index value for the four quarters to 31 March 2008). The value of this inflator was 2.2 per cent.

IPART's approach for inflating the maintenance cost item was consistent with the approach it used last year. No submissions commented on this approach or cost item.

3.7 Insurance costs

IPART inflated the insurance cost item by the change in the CPI – insurance (as measured by the average index value for the four quarters to 31 March 2009 divided by the average index value for the four quarters to 31 March 2008). The value of this inflator was 10.7 per cent.

IPART's approach for inflating this cost item was consistent with the approach it used last year. No submissions commented on this approach or cost item.

3.8 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 four quarters to 31 March 2009 divided by the average index value for the four quarters to 31 March 2008). The value of this inflator was -2.3 per cent.

IPART's approach for inflating this cost item was consistent with the approach it used last year. No submissions commented on this approach or cost item.

3.9 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 four quarters to 31 March 2009 divided by the average index value for the four quarters to 31 March 2008). The value of this inflator was 3.8 per cent.

IPART's approach for inflating these cost items was consistent with the approach it used last year. No submissions commented on this approach or these cost items.

3.10 Measures to address volatility in LPG prices

As indicated above, IPART has decided to retain a mid-year review of the LPG fuel cost item in order to address the issue of fuel price volatility that occurs in between annual fare reviews.

Last year, a number of stakeholders, particularly drivers, expressed concern about the significant increases in LPG prices that had occurred over the previous review period, and requested IPART do more to address the potential for volatility in fuel costs in the fare setting process. In response to these concerns, IPART decided to undertake a mid-year review of fuel costs and to recommend a mid-year fare change if these costs had changed by more than 10 per cent (up or down). IPART also decided to include an additional \$0.03 on the average fare to compensate the industry for costs associated with the additional meter change, in the event that a mid-year fare change is recommended.

As a result of the mid-year review, IPART recommended that fares be increased at 1 January. However, the Director General of the Ministry of Transport did not accept the recommendation at that time on the basis that there had been a significant downward trend in fuel prices since November 2008.

Figure 3.3 shows the average monthly LPG prices in Sydney since January 2003.

Figure 3.3 Average monthly LPG prices in Sydney since 2003 (cents per litre)



Note: The trend in LPG prices is similar in urban and country areas.

Data source: Fueltrac Sydney metropolitan prices.

This year, the Physical Disability Council of NSW was the only stakeholder to comment on this issue. It opposed a mid-term review of fuel costs on the grounds that the potential for two taxi fare increases per year would place an unacceptable level of pressure on the household budgets of people who rely on wheelchair accessible taxis for transportation, and on single income households and people on fixed or low incomes.²⁷

IPART notes that the key reasons for including the mid-year review of LPG fuel costs last year were that:

- ▼ LPG prices had demonstrated volatility – there was significant variability over a six month period (both up and down)
- ▼ the cost of fuel has a significant impact on a driver’s cashflow.

It also notes that this year, industry stakeholders have not mentioned the problem of LPG prices in their submissions. This is probably because fuel prices have fallen significantly over the past six months, and the fuel cost item increased only marginally in urban areas over the 12 months.

²⁷ Physical Disability Council of NSW submission, April 2009, p 3.

Nevertheless, IPART considers that it is important that its review operates symmetrically, so that it benefits passengers in times of significant cost reductions and ensures drivers can continue to cover their costs in times of significant price increases. It also considers that the key reasons for including a mid-year review of fuel costs last year remain valid this year. Therefore, IPART has decided to include a mid-year review of fuel costs again this year.

If fuel costs for the 6 months to 31 October have varied by more than 10 per cent (up or down) from the average daily price included in the TCI for 2009, IPART will recommend that the Minister adjusts taxi fares by an amount equal to the change in the TCI resulting from the change in fuel costs plus the cost associated with the additional meter change. If average fuel costs have changed by less than 10 per cent, no fare change will be recommended.

In the event that this threshold is met and fare changes are recommended, IPART considers that:

- ▼ The change in the LPG fuel cost should be measured by dividing the average price of LPG (as recorded by Fueltrac) for the 6 months to 31 October by the average LPG price for the 11 months to 30 April.
- ▼ No changes should be made to the components of the TCI other than the LPG fuel cost item.
- ▼ The cost of the meter change included in the fare change should be equal to 3 cents on the average fare, and should be removed at the next annual fare review.
- ▼ The change should be applied to the distance-based component of taxi fares only and should incorporate the cost of the meter change, as discussed above.
- ▼ The limited review should be conducted in November with a fare change to be implemented by 1 January (subject to how quickly meters and stickers can be updated).
- ▼ The annual fare change will occur in July and will be applied to calculate the change in fares needed from 1 July of the previous year, as if the six monthly fare change had not occurred. The weighting of costs in the TCI will be updated at the annual fare review.

4 Recommended maximum fares

IPART decided that maximum taxi fares should increase in line with the estimated percentage increase in the cost of providing taxi services (discussed in Chapter 3). To develop its specific recommendation on the maximum fares to apply from 1 July 2009, IPART translated this percentage increase to the individual components of taxi fares, and considered whether the current structure of these fares (or the relativity between the components) should change.

The section below sets out IPART's recommendation on maximum fares. The subsequent sections discuss how it translated the percentage increase to the individual fare components and how these components change under IPART's recommendation.

4.1 Recommendation on maximum fares from 1 July 2009

IPART decided that maximum taxi fares should increase in line with the overall increase in the cost of providing taxi services, as measured by the TCI. That is:

- ▼ in urban areas, average taxi fares should increase by 4.2 per cent
- ▼ in country areas, average taxi fares should increase by 4.1 per cent.

In addition, IPART decided that the relativity between various fare components should not change.

Recommendation

- 2 That maximum taxi fares be increased from 1 July 2009 as set out in Table 4.1.

Table 4.1 Recommended maximum taxi fare components from 1 July 2009

	Urban	Country
Flagfall	\$3.20	\$3.70
Distance charge (Tariff I) (per km)	\$1.93	\$1.98
Distance charge (Country Tariff II) (per km) ^a	n/a	\$2.76
Waiting time charge (per hr)	\$50.00	\$51.02
Waiting time threshold (km/hr)	26	26
Booking fee	\$2.10	\$1.10
Night-time surcharge (% on distance rate) ^b	20%	20%
Maxi taxi surcharge (% on total fare excluding tolls) ^c	50%	50%
Sunday/Holiday surcharge (% on distance rate) ^d	n/a	20%

^a Applies to each kilometre after the first 12km in country areas. The first 12km are at the normal distance charge.

^b The night-time surcharge applies to journeys commencing between 10pm and 6am.

^c No surcharge applies where the maxi-cab is hired from a taxi zone or hailed on the street to carry up to 5 passengers.

^d The Sunday/Holiday surcharge applies in country areas only and applies to journeys commencing between 6am and 10pm on a Sunday or public holiday.

4.2 How IPART translated the overall percentage increase to the fare components

To translate its decision on the required overall percentage increase in taxi fares into a specific recommendation on the maximum level of individual fare components, IPART applied the required change to a specified 'average fare' for country and urban areas. This involved exercising judgement on how individual fare components should change to ensure that the 'average fare' increase is closely (if not exactly) in line with the required change.

Table 4.2 shows the assumptions associated with the average fares, and how the level of these fares change under IPART's recommendation.

Table 4.2 Assumptions associated with the 'average fares' and how they change under IPART's recommendation

	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%
Change under IPART's recommendation:		
Average fare in 2008	\$20.97	\$16.47
Average fare in 2009	\$21.88	\$17.18
% increase	4.2	4.1

In its submission to the 2009 review, the NSW Taxi Council suggested that a shadow fare should be used for the purpose of implementing fare adjustments, so that adjustments due to rounding do not have a compounding affect during subsequent fare adjustments. However, IPART has decided not to adopt this approach as it considers that the average fare method it uses makes a shadow fare unnecessary.

In particular, under the average fare approach, the distance rate is adjusted each year to allow for the rounding of the flagfall and booking fee and ensure that on average, the correct fare increase is granted. This approach means that rounding these fare components should not create distortion in fare increases over time.

4.3 How individual fare components change under IPART's recommendation

After considering stakeholder submissions, IPART decided that the required overall increase should be applied to individual fare components as evenly as possible to maintain the current relativity between these components.

Table 4.3 sets out the recommended maximum fare components and compares them to the current components. Some of the fare components – particularly the flagfall and the booking fee – have increased by more or less than the required overall increase due to the requirement to round them to the nearest 10 cents.

Table 4.3 Recommended fare components and increase from 2008 level

	Urban taxis			Country taxis		
	2008	2009	Change	2008	2009	Change
Flagfall	\$3.10	\$3.20	3.2%	\$3.60	\$3.70	2.8%
Distance charge (Tariff I) (per km)	\$1.85	\$1.93	4.4%	\$1.88	\$1.98	4.9%
Distance charge (Country Tariff II) (per km)	n/a	n/a	n/a	\$ 2.65	\$2.76	4.1%
Waiting time charge (per hr)	\$48.00	\$50.00	4.2%	\$49.00	\$51.02	4.1%
Waiting time threshold (km/hr)	26	26	0.0%	26	26	0.0%
Booking fee	\$2.00	\$2.10	5.0%	\$1.10	\$1.10	0.0%
Night-time surcharge (% on distance rate)	20%	20%	0.0%	20%	20%	0.0%
Maxi taxi surcharge (%on total fare)	50%	50%	0.0%	50%	50%	0.0%
Sunday/Holiday surcharge (% on distance rate)	n/a	n/a	n/a	20%	20%	0.0%
Average fare calculated	\$20.97	\$21.84	4.2%	\$16.47	\$17.15	4.1%
Percentage increase in TCI			4.2%			4.1%

IPART notes that there was general support for maintaining the current relativity of the fare components. For example, the NSW Taxi Council and NCOSS supported applying the overall fare increase evenly to each fare component.²⁸ NCOSS also noted that the current balance between fixed and variable fare components is operating reasonably fairly, and that low-income users would be disproportionately affected if the flagfall charge increased by more than other components, while users who travel longer distances would be adversely affected if the distance charge increased by more.²⁹

However, some stakeholders put the view that the waiting time charge should be increased by more than other components, and that the night-time surcharge should be extended. IPART's considerations of these views are discussed below.

4.3.1 Considerations in relation to the waiting time charge

The NSW TDA and the ATDA both suggested changes to the waiting time charge. This charge is a time-based charge that is applied when a taxi is stationary or travelling at low speed during a paid trip. Its purpose is to ensure that minimum costs are covered. The speed at which waiting time is charged is set to ensure that the distance charge will always at least compensate drivers at an amount equivalent to the waiting time rate.

The waiting time charge recognises that some costs, such as notional drivers' wages, vary by time rather than distance. This means that costs are incurred even when a taxi is stationary, or moving at a low speed. These costs are not adequately covered by the distance rate, which varies per kilometre travelled. For example, a five-kilometre trip that takes half an hour in an area with heavy traffic congestion is more costly to provide than a trip of identical length that takes only five minutes.

The NSW TDA sought to reduce the cost of long fares and increase the cost of short fares by increasing the relative level of the waiting time charge.³⁰ It noted that many short fares occur in congested inner city areas. It also recommended that "consideration be given to re-examination and some possible rebalancing adjustment of the 'low speed' rate (waiting rate) and the kilometre rates".

On the other hand, the ATDA submitted that although the current fare structure was generally balanced, the waiting charge should be \$85.48 per hour to compensate drivers for the 50 per cent of shift time that the taxi has no passenger. Alternatively, the ATDA suggested that this charge should at least be increased significantly.³¹

²⁸ NSW Taxi Council submission, April 2009, pp 2-3.

²⁹ NCOSS submission, 17 April 2009, p 3.

³⁰ NSW TDA submission, April 2009, p 16.

³¹ ATDA submission, April 2009, pp 6-7.

IPART notes that it considered both these points last year, and decided not to increase the waiting time charge by a significant amount.³² IPART has reconsidered the drivers associations' suggestions again, but has not changed its position.

In relation to the ATDA's suggestion, IPART recognises that estimates suggest taxis are without a paying passenger for around half the time. It is necessary to have taxis empty some of the time to ensure that sufficient taxis are available for hire when needed. While fares need to be set to cover the costs of this time, IPART considers that it would be unreasonable to do this through a single fare component because:

- ▼ including all of the costs of time spent without a passenger in the waiting time charge would disproportionately recover costs through the waiting time component
- ▼ as fares are already set to cover all costs, including time spent without a passenger, any increase in the waiting time charge for this reason would suggest a reduction in other fare components, to avoid double counting this cost.

On the other hand, if the aim of increasing the waiting time charge is to increase the cost of shorter fares and reduce the cost of longer fares, as sought by the NSWTD, IPART considers this would be better achieved by increasing the flagfall relative to the distance and waiting time charges, as the flagfall is the fixed component of the fare. Last year, stakeholders submitted that an increase in the flagfall was not required to make short fares more attractive relative to longer fares.³³

The NSWTD's assertion that an increase in the waiting time charge would primarily impact short fares within Sydney's CBD is based on anecdotal evidence only. IPART considers that such an increase should be considered carefully as it would have consequences for other users as well. For example, when a taxi is booked, the driver may start the meter running from the time they notify the passenger that they are at the address and ready for the pick-up. For passengers in wheelchairs, the time between this point and the commencement of the journey can be significant (this time is often referred to as 'loading time'). IPART noted in its 2008 Issues Paper that:

In recent years, stakeholders have submitted that a large proportion of the Government provided Taxi Transport Subsidy Scheme (or TTSS, which reimburses half the fare up to a limit of \$30) can be lost through the metered charge for loading – it has been suggested that there is often around \$10 on the taxi meter before the trip even begins.³⁴

This means that increases in waiting time charges may have a disproportionate impact on passengers with wheelchairs, even where they are travelling in uncongested areas.

³² IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008, p 66.

³³ For example, see ATDA submission and NSW Taxi Council submission to IPART on Issues Paper for 2008 Taxi fare review, 4 March 2008.

³⁴ IPART, *2008 Review of Taxi Fares in NSW - Issues Paper*, February 2008, p 46.

4.3.2 Considerations in relation to the night time surcharge

The ATDA also suggested that the tariff II/night-time surcharge should apply to the waiting time rate as well as the distance rate, and should apply on Sundays and public holidays in urban areas (as it does in country areas).³⁵ Currently, the night-time surcharge is added to the distance rate, for trips between 10pm and 6am. It provides extra compensation to drivers for working unsociable hours, and the additional safety risks involved with night-time driving.

The ATDA made these same suggestions in last year's review, and IPART considered them but found that the ATDA had not provided adequate information to justify their adoption.³⁶ Since the ATDA did not provide any new information to the 2009 review to support its suggestions, IPART has not changed its position.

Further, IPART notes that if it were minded to extend the night-time surcharge, other fare components would need to be reduced so that the average fare changes in line with the overall change in the TCI.

³⁵ ATDA submission, April 2009, pp 6-7.

³⁶ IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008, p 66.

5 Impact of fare changes

In reaching its recommendation on the maximum taxi fares to apply for 1 July 2009, IPART considered how this recommendation would affect typical taxi fares in NSW, and compared these fares with those in other states. IPART also considered the implications of its maximum fare recommendation for passengers, taxi industry participants, ecologically sustainable development and the NSW Government.

5.1 Affect on typical taxi fares in NSW

IPART calculated how its fare recommendation would affect the cost of a number of 'typical' taxi trips in urban and country areas (Table 5.1 and Table 5.2). This analysis shows that fares for typical trips will increase approximately in line with the average fare. Shorter trips in the country will increase by slightly more than other types of trips.

Table 5.1 Impact of IPART's fare recommendation on the cost of 'typical' taxi trips in urban areas

	Current	Recommended	Change (%)
Short city trip ^a	14.80	15.39	4.0
To the shops ^b	13.30	13.86	4.2
Friday night home ^c	40.40	42.12	4.3
To the airport ^d	48.50	50.58	4.3

^a The short city trip is 2 kilometres long, and involves 10 minutes of waiting time due to heavy traffic congestion.

^b The trip to the shops is phone booked, 4 kilometres long, with 1 minute of waiting time.

^c The Friday night trip home is 15 kilometres long and involves 5 minutes of waiting time. It attracts the night time surcharge.

^d The airport trip is 20 kilometres long, with 8 minutes of waiting time and a phone booking. It excludes airport charges.

Table 5.2 Impact of IPART's fare recommendation on the cost of 'typical' taxi trips in country areas

	Current	Recommended	Change (%)
Intra town trip ^a	10.06	10.48	4.2
Into town ^b	17.61	18.37	4.3
Longer trip ^c	37.66	39.36	4.5

^a The intra town trip is hailed off the street, is 3 kilometres long and involves 1 minute of waiting time.

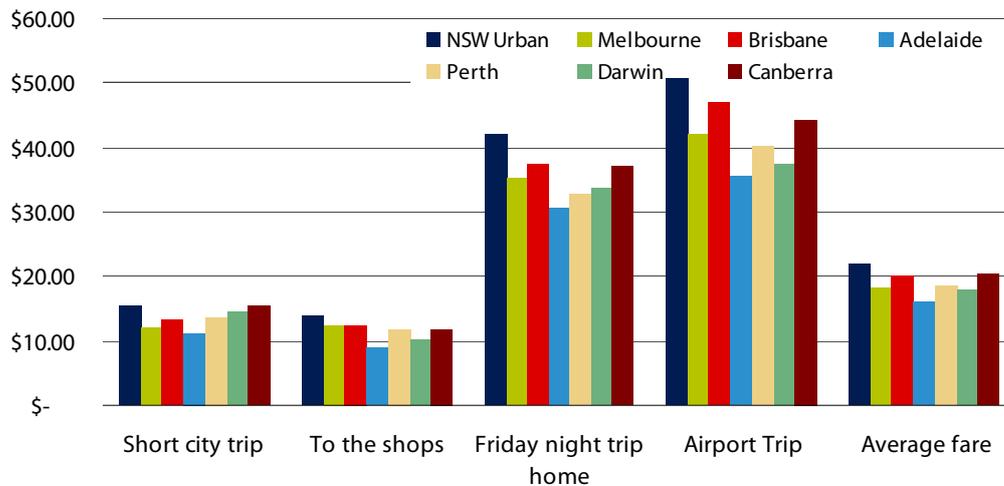
^b The into town trip is phone booked, is 6 kilometres long and involves 2 minutes of waiting time.

^c The longer trip is phone booked, 15 kilometres long and involves 3 minutes of waiting time.

5.2 Comparison with typical fares in other states

IPART also considered how its recommended fares for these ‘typical’ NSW taxi trips compare with current fares in other cities and areas in Australia (Figure 5.1 and Figure 5.2). This analysis suggests that for most of these trips, the recommended NSW fare is higher than the equivalent trip elsewhere in Australia. However, in most cases the difference is not very large.

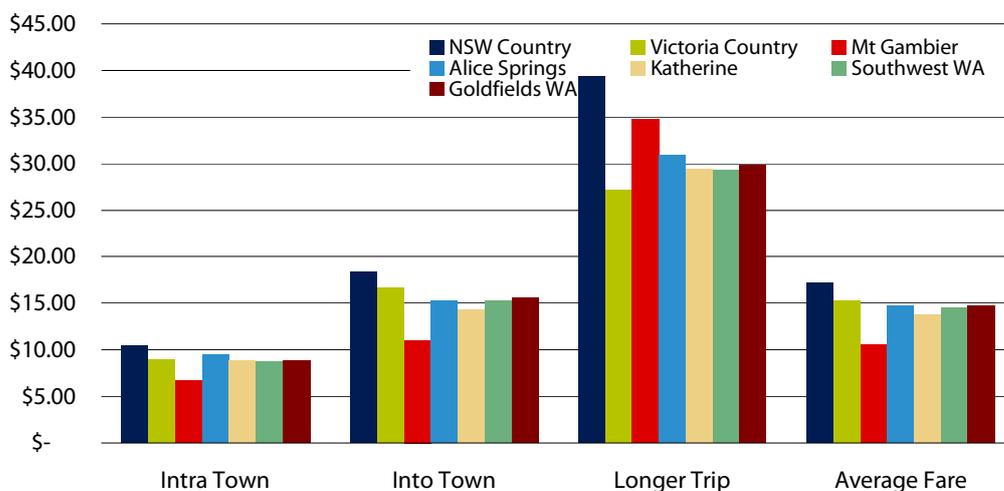
Figure 5.1 Taxi fares for various types of trips in selected capital cities – June 2009



Note: The short city trip is 2 km long with 10 mins of waiting time. The trip to the shops is 4 km long with 1 min of waiting time and is phone booked. The Friday night trip home is 15 km long with 5 mins of waiting time and attracts the night time surcharge. The airport trip is 20 km long, with 8 mins of waiting time and is phone booked but excludes airport charges.

Data source: Fares obtained from the relevant government agency and/or taxi companies.

Figure 5.2 Taxi fares for various types of trips in selected country areas – June 2009



Note: The intra town trip is 3 km long with 1 min of waiting time. The ‘into town’ trip is phone booked, is 6 km long with 2 mins of waiting time. The longer trip is phone booked, 15 km long with 3 mins of waiting time.

Data source: Fares obtained from the relevant government agency and/or taxi companies.

5.3 Implications for passengers

IPART's recommendation on maximum taxi fares from 1 July 2009 will increase the cost of using taxi services by 4 to 4.5 per cent. IPART considers that the impact of such an increase on passengers is likely to be small, because spending on taxi fares represents a very small proportion of average household income. Urban transport fares (including taxi fares) represent the equivalent of less than 1 per cent of the average Australian household incomes³⁷.

In its submission, NSCOSS argued that the increase in taxi fares should not be greater than change in cost of living indexes. It also noted that the impact of any increase is likely to be more serious for people who rely on taxis because they cannot drive, cannot use other forms of public transport (for example due to a disability) or cannot afford to own a car. In addition, it noted that taxi travel is sometimes the only option for people with disabilities in rural or village areas³⁸ and predicted that unless subsidy rates are adjusted a fare rise is likely to mean a reduced number and distance of journeys taken.

The submission from the Physical Disability Council of NSW³⁹ also focused on the impact of a fare increase for people with a physical disability, people with low or fixed incomes and people who depend on taxis for all transportation. The Council noted that some people rely on taxis to do shopping and remain active members of the community while others rely on wheelchair accessible taxis to undertake employment, and pointed out the availability of accessible public transport is limited.

D Cunningham's submission⁴⁰ also highlighted the impact on passengers with a disability or who are frail or aged. He noted that a fare increase would 'compound an already difficult financial situation and would negatively add to reductions in mobility options and quality of life' for such passengers.

While IPART acknowledges the validity of these stakeholders' concerns, it considers it important that maximum taxi fares be increased by an amount sufficient to ensure they recover the cost of providing taxi services. As the basket of cost items involved in providing taxi services do not mirror the basket of goods used to estimate CPI, the TCI will sometimes increase at a different rate to the CPI, as it has this year. While people on fixed incomes and those who have little option but to use taxi services may be impacted more by a fare increase than the average Australian household, it is also important for those people that the taxi industry remains economically viable and service standards are maintained or improved. If the rate of increase was capped at the change in the CPI, then taxi drivers and operators may be unable to continue to

³⁷ In the weights used in the 15th series of the Consumer Price Index, urban transport fares comprise 0.73 per cent of an average Australian household's spending. It is likely that the proportion of expenditure on taxi fares in non-metropolitan households would be lower.

³⁸ NSW Council of Social Service submission, April 2009, p 2.

³⁹ Physical Disability Council of NSW submission, April 2009, p 2.

⁴⁰ D Cunningham submission, April 2009, p 1.

provide taxi services as fares may not be sufficient to allow them to recover their costs.

IPART also notes that the impact of fare increases for some people with a physical disability is ameliorated by the Taxi Transport Subsidy Scheme (TTSS). This scheme is funded by the NSW Government and provides eligible participants with a 50 per cent subsidy for the metered taxi fare, up to a maximum value of \$30 per trip. Eligibility for the subsidy is restricted to residents of NSW who are unable to use public transport because of a qualifying severe and permanent disability.

However, the level of the subsidy provided by the TTSS has not changed since 1999 (when the cap was increased from \$25 to \$30). In last year's report, IPART noted that since 1999, NSW taxi fares had increased by slightly more than 40 per cent and the CPI increased by around 28 per cent. IPART also noted that although the \$30 cap was comparable to schemes in other states, NSW taxi fares tend to be higher than in those states. IPART recommended that the Government increase the cap on the TTSS subsidy above the current level of \$30 to take into account increases in taxi fares since the cap was last adjusted.⁴¹

In submissions to this year's review, stakeholders continued to request changes to the TTSS. The Physical Disability Council of NSW⁴² argued for a minimum increase in the cap from \$30 to \$40 and that the scheme should provide a subsidy for an increased percentage of the taxi fare. Along with NCOSS,⁴³ it also highlighted the discrepancy in service standards between standard taxis and for wheelchair accessible taxis. The ATDA⁴⁴ argued that the scheme should be reversed such that the user pays a maximum of \$30 rather than receiving a maximum \$30 subsidy. This would effectively mean that there was no cap on the subsidy.

The Ministry of Transport has indicated to IPART that it does not intend to review the \$30 cap on the subsidy at this time, and noted that:⁴⁵

- ▼ the NSW TTSS is equivalent to or more generous than schemes in other jurisdictions
- ▼ the scheme's budget of \$23 million has increased at around 12 per cent per annum
- ▼ the average subsidy is \$11, well below the \$30 cap
- ▼ public transport is being made increasingly accessible to people in wheelchairs (for example through more accessible buses and Easy Access train stations) and
- ▼ the scheme is in transition to an electronic payments scheme which should streamline payment and administration and 'improve the TTSS by targeting resources to the delivery of services and increasing customer responsiveness'.

⁴¹ IPART, *2008 Review of Taxi Fares in NSW – Final Report and Recommendations*, June 2008, p 110.

⁴² Physical Disability Council of NSW submission, April 2009, p 3.

⁴³ Council of Social Service of New South Wales submission, April 2009, p 3.

⁴⁴ Australian Taxi Drivers Association submission, April 2009, p 13.

⁴⁵ Ministry of Transport, letter to IPART, 21 April 2009.

5.4 Implications for taxi industry participants

IPART considers that its recommendation on maximum taxi fares is likely to maintain the taxi industry's current level of financial viability, as this recommendation is in line with the overall cost increase measured by an industry-specific cost index.

Although the NSW TDA and the ATDA raised concerns about the weightings in the TCI – including the notional value of drivers' wages and the split between driver and operator costs – IPART is confident that the cost index provides a reasonable measure of the changing costs of providing taxi services. As Chapter 2 discussed, IPART has recently undertaken a detailed review of the costs, weightings and inflators included in the TCI which was informed by an extensive survey sent to every registered taxi driver and operator in NSW. (IPART's considerations of the drivers associations' concerns are discussed in more detail in Appendix E).

In addition, as Chapter 2 also discussed, IPART's role in regulating the taxi industry is to make recommendations on changes to maximum fares for taxi services in NSW to the Minister for Transport, and to ensure that the recommended change in these fares reflects the change in the costs of providing taxi services to passengers. IPART does not regulate the earnings of taxi drivers.

5.5 Implications for ecologically sustainable development

IPART considers in making recommendations on maximum taxi fares, it has limited ability to influence ecologically sustainable development. The impact of the recommended maximum fare increases on the environment in terms of pollution and congestion is likely to be minimal. This is because the number of taxis in NSW is a small proportion of the overall number of NSW passenger motor vehicles, comprising approximately 0.12 per cent.⁴⁶

5.6 Implications for the NSW Government

Government funding of fares for taxi services is limited to rebates provided via the TTSS. As noted above, this scheme provides a 50 per cent subsidy up to a maximum of \$30 for people who are unable to use public transport due to a severe and permanent disability.

⁴⁶ In 2008 there were 5.2 million registered vehicles in NSW and approximately 6,500 taxis. (Sources: RTA Annual Report 2008 and Ministry of Transport.)

In 2007/08, over two million taxi trips were subsidised by the TTSS at a cost of over \$22 million.⁴⁷ TTSS payments have been growing at approximately 12 per cent per year.⁴⁸ All else being equal, an increase in maximum taxi fares is likely to increase the level of Government funding required for the TTSS. However, the fare increases under the recommendations are not substantial and as a result IPART does not consider that there will be a significant impact on funding required.

⁴⁷ Ministry of Transport Annual Report 2008, p 23.

⁴⁸ Ministry of Transport data.

6 Information on the quality of taxi services in NSW

IPART's terms of reference require it to consider taxi service standards as part of its review. IPART has done this by examining the customer feedback information and network performance information provided by the Ministry of Transport which collects this data as part of its role as the regulator of taxi service standards.

As in previous years, Ministry of Transport 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.⁴⁹

The section below provides an overview of IPART's findings on taxi service standards. The subsequent sections discuss the findings for standard taxi services and wheelchair accessible taxi services in more detail.

6.1 Overview of IPART's findings

IPART considered the data for the 12 months to 31 March 2009 (which corresponds with the time period over which the change in the costs of providing taxi services was measured). It found that these data indicate there has been an improvement in overall service and quality standards over this period. Compared to the previous 12 months, there has been:

- ▼ 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 per cent
- ▼ an increase in customer compliments of 0.8 per cent
- ▼ an improvement in wheelchair accessible taxi performance as measured by Zero200 KPIs.

⁴⁹ The Zero200 network provides radio booking services for wheelchair accessible taxis.

6.2 Standard taxi services in urban areas

IPART found that service standards for standard taxis in Sydney, as measured by network performance against KPIs and customer feedback, has improved compared with the 12 months to March 31, 2008. The sections below discuss the findings related to performance against network KPIs and customer feedback in detail.

6.2.1 Network performance

Network performance is measured through a series of KPIs and assessed against standards set by Ministry of Transport. Standards for taxi telephone services and pick up times have been set for both urban and country networks; however, IPART receives information for urban networks only.

Since the 2008 review was completed, Ministry of Transport has introduced new performance standards for urban networks. These standards replace the interim standards which had been in place since 1993. The new standards are largely similar to those in place previously, although some benchmarks have been changed and two new standards have been introduced. The standards are summarised in Table 6.1.

Table 6.1 Comparison of previous and new taxi network standards

	Previous standard	New standard
Call Centre		
Failed/ abandoned calls	No benchmark	No more than 5% of telephone calls received in a month
Calls answered within 1 min	70%	85%
Calls answered within 2 min	90%	98%
Service Delivery		
Pick up within 15 min	85%	85%
Pick up within 30 min	98%	98%
Pick up within 60 min	100%	99%
No car available (reliability)	No benchmark	No more than 3% of bookings in a month

Note: Comments provided by the Ministry of Transport. Previous standards refer to the interim standards developed in 1993.

Source: Ministry of Transport.

Since the new standards came into effect, Ministry of Transport has begun to publish KPI information relating to performance benchmarks on its website at an aggregated level. The information published relates to booked taxi pick-up times and the amount of time taken to answer phone calls to networks.

The following sections discuss the performance of Sydney networks as a whole for the KPIs that directly affect passenger experience. An explanation of the KPIs, and information on other reported KPIs is provided in Appendix D.

Phone call answering times

In aggregate, Sydney networks⁵⁰ met the standards for phone call answering times: 98 per cent of calls were answered within one minute and 99 per cent were answered within two minutes. This is an improvement since 2008, where 93 per cent of calls were answered within one minute and 98 per cent answered within two 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.

Sydney networks also easily met the standard for abandoned calls: only 1.7 per cent of the total number of phone calls failed or were abandoned before being answered. As the Ministry of Transport only began measuring the number of failed/abandoned calls in July 2008, a comparison with last year is not available.

Passenger pick-up times

The Sydney networks also met the standards for passenger pick-up times: 93 per cent of taxis arrived within 15 minutes, 99 per cent within 30 minutes and 100 per cent within 60 minutes of a booking being made. As Table 6.2 shows, this suggests a small improvement since last year, and an even smaller improvement compared to 2006/07.⁵¹

The improvement in passenger pick-up times may be due to the decrease in the number of booked pick-ups requested (also shown on Table 6.2).

Table 6.2 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: Ministry of Transport data.

In its submission, the ATDA suggested that the networks' pick-up performance is misleading as, when measured as a percentage of bookings requested, the percentage of pick-ups within fifteen minutes is much lower than when measured as a percentage of booked pick-ups. While this is correct, the KPI is defined as a percentage of total pick-ups rather than as a percentage of bookings requested. The difference between the number of booking requests and the number of pick-ups includes cancellations, passenger no-shows, no car available and bookings offloaded.

⁵⁰ All networks except Zero200.

⁵¹ Note that the KPI definitions changed slightly as a result of the new network standards.

If all bookings requested are taken into account, the number of pickups which occur within fifteen minutes of a booking being made is only 64 per cent. While the ATDA suggests that the difference is a result of poor network performance, there may be a number of different factors contributing to this which may be outside of the networks' control. For example, networks would have limited ability to reduce passenger no-shows, and bookings off-loaded may be a sign of better network performance as bookings are given to another network which may be in a better position to serve the passenger.

IPART considers that removing the number of no-shows and bookings offloaded to another network provides a better indication of the number of bookings required.⁵² Bookings offloaded to another network are counted as inloads for the referred network and therefore counted as a further booking request. Removing passenger no shows accounts for the number of booked taxi jobs which do not result in a pick-up due to factors outside of the control of networks. If this method is used, the number of pickups which occur within 15 minutes is 84 per cent.

Table 6.3 below examines the networks' performance in relation to passenger pick-ups in greater detail.

Table 6.3 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: Ministry of Transport Data.

Other KPIs affecting passengers' taxi experience

Table 6.4 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.

⁵² The difference between pickups and bookings required as defined above is due to instances of no car available and cancellations (initiated by the driver or the passenger).

Table 6.4 Changes in performance measures between 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: Ministry of Transport data.

The decrease in bookings requested and pickups is consistent with the observations of stakeholders that economic conditions have reduced the demand for taxi services. This is 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.⁵³

The reduction in the number of ring backs suggests that taxi service pick-up times are 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.

6.2.2 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 per cent. This follows a decrease in complaints of 1.7 per cent 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 per cent.

⁵³ 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 6.5 and Table 6.6 provide a summary of the changes in complaints and compliments received over the past three years.

Table 6.5 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: Ministry of Transport.

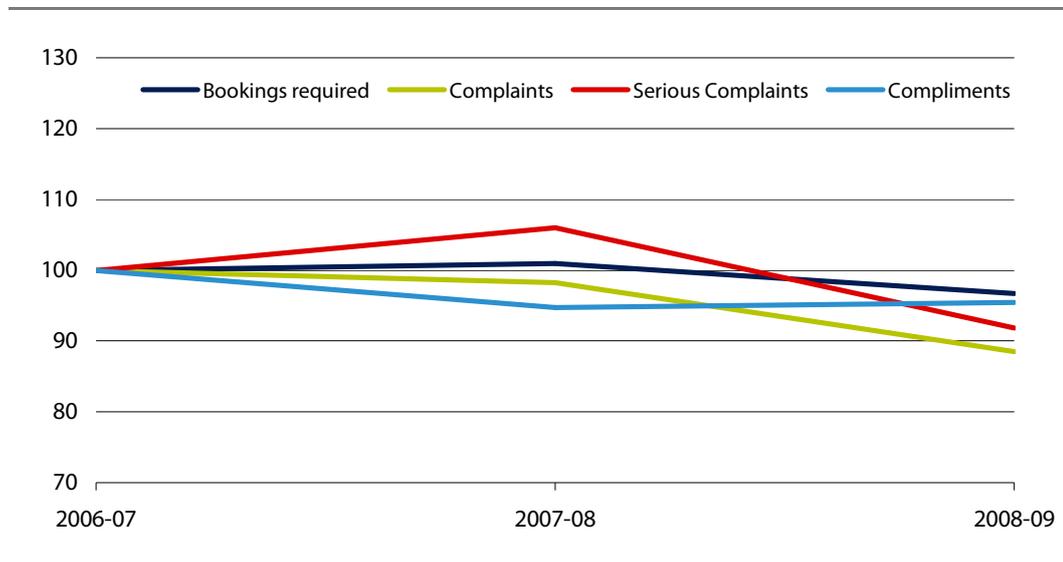
Table 6.6 Change in the most common complaints compared with the previous year for urban taxis

	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: Ministry of Transport.

IPART has reviewed the change in complaints and compliments relative to changes in overall bookings required. As shown in Figure 6.1, this information indicates that, over the past two years, the total number of complaints has fallen significantly, while the number of bookings required has 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 6.1 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.

6.3 Wheelchair accessible taxis

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 6.1). However, the Ministry of Transport maintains information on the Zero200 network's performance separately to other networks. (Full KPI information for the Zero200 network is provided in Appendix F.)

Table 6.7 and Table 6.8 summarise the Zero200 network's performance against the standards for phone call answering times and pick-up times for WATs over the past three years. These tables indicate that this performance has improved, but still does not meet all Ministry of Transport's standards.

Table 6.7 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
Ministry of Transport 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: Ministry of Transport data.

Table 6.8 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
Ministry of Transport 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: Ministry of Transport data.

The improvements in Zero200's performance against the KPIs for WATs may be partly explained by the 10 per cent increase in the number of WATs operating on the Zero200 network over the past year (see Table 6.9) which has not been 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 also be in part due to the trial incentive payment of \$8.47 paid to drivers for each WATs passenger picked up.⁵⁴ This incentive was in place for the full year measured (and only for part of the year in 2008). It is designed to improve reliability and response times for passengers requiring a wheelchair accessible taxi.⁵⁵

Table 6.9 below provides information on other KPIs that are relevant to WAT passengers' experience.

Table 6.9 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: Ministry of Transport data.

⁵⁴ Ministry of Transport website < <http://www.transport.nsw.gov.au/taxi/wheelchair.html> >

⁵⁵ 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.



Appendices

A Terms of reference

INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 TAXI INDUSTRY FARE REVIEW AGREED TERMS

The Independent Pricing and Regulatory Tribunal and the Ministry of Transport agree to enter into an arrangement for the period 1 July 2008 to 30 June 2009 in respect of an investigation and report concerning fares for taxi services regulated under the *Passenger Transport Act 1990*.

In conducting this investigation, the Tribunal will consider:

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

In conducting the investigation the Tribunal will invite submissions from the NSW Taxi Council, taxi industry participants, and other stakeholder groups including the general community.

A final report is to be provided to the Ministry of Transport by 30 June 2009.

B | List of submissions received

Table B.1 List of submissions received

Submitter	Date
Australian Taxi Drivers Association (ATDA)	22 April 2009 (late submission)
Council of Social Service of NSW (NCOSS)	17 April 2009
Cunningham, D	20 April 2009
Fletcher, P	19 April 2009
NSW Taxi Council	13 March 2009
NSW Taxi Drivers Association (NSWTDA)	22 April 2009 (extension granted)
Physical Disability Council of NSW (PDCN)	20 April 2009
Tierney, E	19 April 2009

C Urban and country fare zones

Urban fare zone

Fares for urban taxis apply to Taxi-cabs licensed to operate in the following areas:

- ▼ Sydney Metropolitan Transport District
- ▼ Newcastle Transport District
- ▼ Wollongong Transport District
- ▼ Blue Mountains Local Government Area
- ▼ Gosford Local Government Area
- ▼ Wyong Local Government Area
- ▼ Shellharbour Local Government Area, and Cams Wharf, Fern Bay, Minmi, Toronto, Williamtown, Medowie, Campvale, Ferodale, Raymond Terrace, Fassifern, Hexham, Maitland, Beresfield, Fullerton Cove, Tomago, Camden, Picton, Thirlmere, Tahmoor and Bargo.

Country fare zone

Fares for country taxis apply to Taxi-cabs licensed to operate in the following areas:

- ▼ All areas of New South Wales, except those specified in as Urban Areas (see above) and Exempted Areas.

Exempt areas

Fares are unregulated for exempt areas which are determined by Ministry of Transport to be:

- ▼ Moama, Barham, Tocumwal, Mulwala, Barooga and Deniliquin.

D Structure of the taxi industry in NSW

The taxi industry includes multiple participants, whom may play more than one role in the industry. These include:

- ▼ licence owners, who may be owner-drivers or lease their plates to taxi companies or individual operators
- ▼ taxi companies (and co-operatives), who sell bundled services such as insurance and repairs to operators, but who may also manage licence plates and operate taxi businesses
- ▼ operators, who may be owner-drivers, individuals leasing a plate and operating a vehicle, or companies that manage multiple licences, vehicles and drivers
- ▼ networks, which are taxi companies that also provide phone booking, dispatch and safety services (eg, silent alarms) to their members and to other taxi companies
- ▼ drivers, who either drive their own vehicle as an operator, or contract their services to operators (termed 'bailee drivers').

In the first instance, drivers collect all fare revenue from passengers. Depending on their terms of employment, they pay a fee or proportion of their fare revenue to operators. Then operators – out of the payments they receive from drivers – pay the remaining industry participants (networks, taxi companies and licence owners).

The input costs and returns within the industry are affected by a number of factors, including:

- ▼ Regulatory control of fares (recommended by IPART and set by the Director General of the Ministry of Transport).
- ▼ Regulatory control of the 'pay-in', which is the payment made by non-owner or non-operator drivers to the operator of the vehicle. The maximum level of this payment is set by the NSW Industrial Relations Commission (IRC) for urban taxis.
- ▼ Regulatory control of taxi licence costs, which are set by the Ministry of Transport (in some cases, in reference to current market transfer values), and other regulations regarding behaviour and service standards.
- ▼ The market power of industry participants, which can affect certain price inputs.

The sections below provide an overview of the industry participants.

D.1.1 Taxi licence owners

Taxi licence or ‘plate’ owners own a taxi licence plate purchased either from the Ministry of Transport or on the secondary market. Currently, unrestricted Sydney taxi licences are valued at around \$366,000 (March 2009), while the value of plates in country areas varies from as little as \$15,000 to more than \$600,000 depending on the operating area. There are approximately 6,400 taxi plates in NSW, which are owned by around 4,500 licence owners. All taxis must be licensed by the Ministry of Transport. Many licence owners do not operate a taxi themselves, but lease their licence to a taxi operator.

Table D.1 Licences on issue as at 31 December 2008

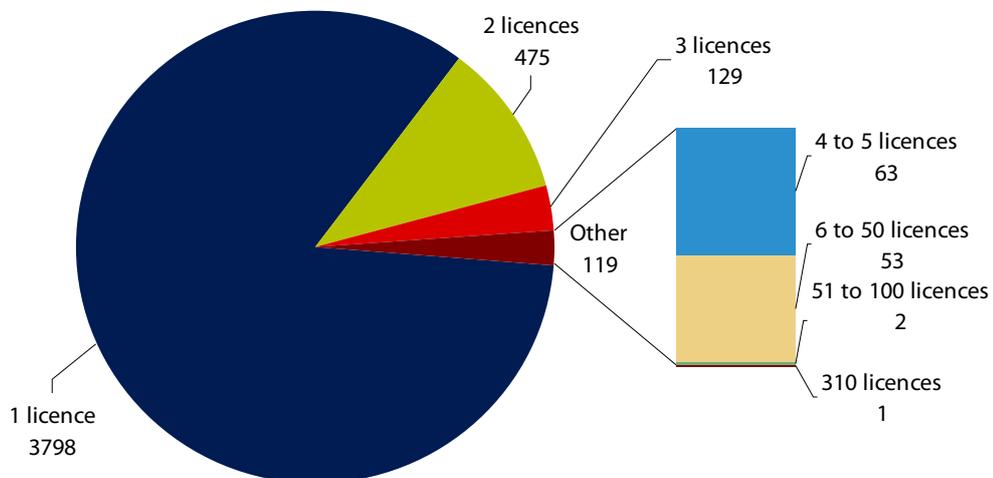
	Total licensed taxis	Time restricted taxis	WAT taxis	Leased taxis
Sydney	5,174	269	479	4,288
Newcastle	162	1	10	54
Wollongong	134	0	9	76
Country	1,026	0	190	315
NSW Total	6,496	270	688	4,733

Note: Leased taxis are a subset of total licensed taxis.

Source: Ministry of Transport.

Most licence holders own only one licence – almost 85 per cent of licences are owned by people or organisations that hold only one licence. Almost all licences (98 per cent) are owned by people/organisations with less than five licences. However, there is a single licence holder that owns 310 licences in NSW (4.8 per cent of the total number of licences). See Figure D.1.

Figure D.1 Licencees by number of licences owned (31 December 2008)



Data source: Ministry of Transport.

D.1.2 Taxi operators

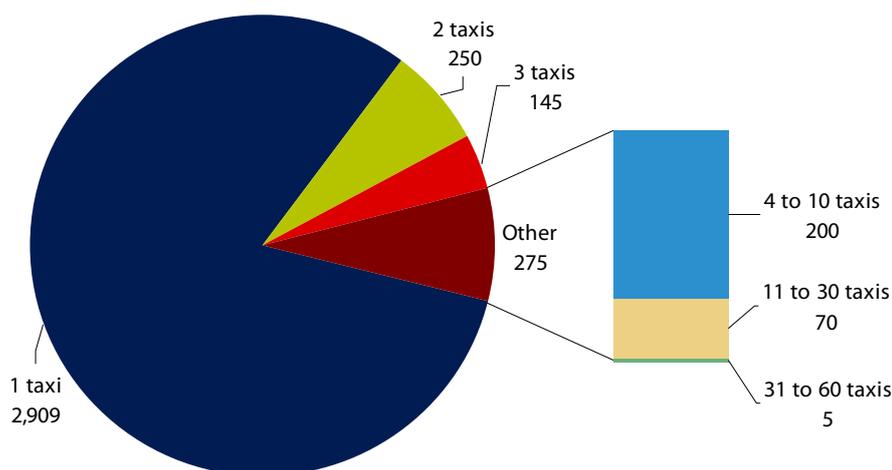
There are around 5,400 taxi operators in NSW, which operate anywhere from one to more than 100 taxis each. All taxi operators must be accredited by the Ministry of Transport after undergoing training. While some operators drive the taxis they operate, many bail out their taxis to bailee drivers.

In the Sydney metropolitan area, bailee drivers can choose whether to pay a bailment fee (or pay-in) to the operator for use of the taxi, or to share revenue with the operator under a commission arrangement. Most drivers in Sydney choose the pay-in method. The Industrial Relations Commission sets a maximum pay-in amount per shift.

Under the pay-in arrangement, bailee drivers also have to pay for the costs of fuel used during their shift, and of cleaning the taxi after their shift. In return, they get to keep the remaining revenue they earn during that shift. The taxi operator is responsible for meeting all other costs of running the taxi (ie, all except for fuel and cleaning costs).

Under the Commission arrangement, the operator pays for fuel and wash costs. In country NSW, taxi drivers typically operate on a 50-50 commission arrangement where the operator and driver each retain 50 per cent of the takings. Under this arrangement, the taxi operator pays for all the costs of running the taxi, including fuel and cleaning costs.

Figure D.2 Operators by number of taxis operated (31 December 2008)



Data source: Ministry of Transport.

D.1.3 Taxi networks

Under the *Passenger Transport Regulation 2007*, all taxi operators must be affiliated with a taxi network authorised by the Ministry. The networks provide a radio booking service and a GPS tracking and alarm monitoring service, and a lost property service. There are currently 12 taxi networks in Sydney. Taxi networks also own some taxi licence plates directly – the number of licences owned by networks varies between 12 and 310.

Table D.2 Number of taxis attached to each Sydney network

Network	Standard	Wheelchair	Premium	Total taxis
Taxi combined services	1,784	146	0	1,930
Silver service	0	51	883	934
ABC	76	2	0	78
Yellow cab	0	47	0	47
South western	90	6	0	96
Premier	769	77	101	947
Legion	454	54	17	525
RSL	140	4	11	155
Manly	148	19	0	167
St George	152	12	42	206
Lime (MACT)	11	56	0	67

Note: Premium taxis may also include some wheelchair accessible taxis.

Source: Ministry of Transport.

D.1.4 Taxi drivers

There are just over 23,000 drivers authorised by the Ministry of Transport in NSW. Some drivers drive a taxi they either own and/or operate, while others serve as bailee drivers. In obtaining Ministry of Transport authorisation, drivers must complete compulsory training courses, pass English proficiency assessment and locality knowledge tests in the metropolitan areas.

E Issues raised by NSWTDAs and ATDAs regarding costs included in the Taxi Cost Index

Issue raised in submission	IPART response
IPART has not undertaken adequate testing of costs against revenue (ATDA).	<ul style="list-style-type: none"> ▼ Estimates of taxi industry revenue vary significantly. ▼ One of the reasons IPART uses an index is that reliable estimates of revenue are not available. ▼ In 2008, costs and revenues were tested for reasonableness using a range of estimates. IPART concluded that this analysis did not suggest that a one off change to fares was necessary.
Assumptions regarding hours of operation are understated (ATDA, NSWTDA).	<ul style="list-style-type: none"> ▼ The 2007 PwC survey asked drivers to report this information and used the median survey result (9 hours per shift) in making its recommendations. ▼ In 2008, IPART accepted the survey result on this issue as the best and most reliable estimate available.
Notional driver wage should be higher – at least as high as bus drivers and operator administration staff (ATDA, NSWTDA).	<ul style="list-style-type: none"> ▼ IPART does not determine driver earnings – drivers do not receive a ‘wage’ for driving a taxi. ▼ In order to cover all of the costs of providing taxi services, fares should include a reasonable estimate of the cost of drivers’ time. To do this, IPART includes a notional hourly wage in the TCI.
The wage rate included in the TCI is below the minimum wage (NSWTDA).	<ul style="list-style-type: none"> ▼ In 2008, IPART decided that a notional hourly wage of \$16.95 should be included (for the base year 2007). This was determined with reference to the hourly pay for driver entitlements specified in the 2007 taxi contract determination and other information, including submission comments. ▼ The TCI includes a notional hourly wage rate of \$17.54 (2008) for taxi drivers – this is well above the current Australian minimum wage.
Notional drivers’ wages should be inflated to include entitlements and superannuation (ATDA, NSWTDA) and IPART should direct the IRC to include superannuation in the contract determination (ATDA).	<ul style="list-style-type: none"> ▼ Superannuation and leave entitlements for drivers are not determined by IPART – for some drivers they are determined by the IRC but for others they may be self-funded. ▼ In 2008, IPART included notional values for these items in the TCI in addition to a notional wage based on a percentage of the notional wage: <ul style="list-style-type: none"> – 9 per cent for super – 15 per cent for leave entitlements. ▼ IPART cannot direct the IRC to impose any obligation on operators.

Issue raised in submission	IPART response
<p>Fuel consumption has not been adequately considered – the km per litre rate assumed by IPART is too low (ATDA).</p>	<ul style="list-style-type: none"> ▼ The 2007 PwC survey asked both drivers and operators for their actual rate of fuel consumption (km per litre) and PwC’s recommendations were based on the median fuel consumption reported in the survey. ▼ In 2008, IPART accepted PwC’s recommendation on fuel consumption as the best available measure.
<p>IPART should include taxi cleaning costs of \$10 per night in driver costs (ATDA).</p>	<ul style="list-style-type: none"> ▼ The 2007 PwC survey asked both drivers and operators to report their actual cleaning costs – on the basis of the survey results, PwC recommended annual cleaning costs per taxi in ‘other driver costs’ of \$2,080 (equivalent to \$8 per night) for the base year 2007. ▼ In 2008, IPART accepted this recommendation noting that the survey suggests that many drivers do not incur this cost at all.
<p>IPART should include costs of fare evasions and robberies in driver operating costs (ATDA).</p>	<ul style="list-style-type: none"> ▼ The 2007 PwC survey asked drivers to report the number of incidents of fare evasion they experience per year (the median survey result was 5). PwC included the associated cost in its recommendations on ‘other driver costs’. PwC did not separately identify these costs as they were relatively small as a proportion of total costs. ▼ In 2008, IPART accepted PwC’s recommendations on other driver costs. ▼ Robbery costs are not included – IPART considers that there is no way of identifying a reasonable cost associated with robbery.
<p>TCI needs to be rebalanced to increase driver costs and reduce operator costs – the TCI has an anti-driver bias (ATDA).</p>	<ul style="list-style-type: none"> ▼ The current costs and weightings in the TCI are largely based on the results of the 2007 PwC survey in which: <ul style="list-style-type: none"> – all drivers and operators in NSW were asked to participate – 83 per cent of survey responses were from drivers – ATDA and NSWTDAs were consulted in developing the survey.
<p>Current market pay-ins to operators are lower than operator costs in the TCI suggesting that operator costs are too high (NSWTDAs).</p>	<ul style="list-style-type: none"> ▼ The 2007 PwC survey reported that pay-ins are often reduced in return for drivers foregoing their leave entitlements. ▼ In 2008, IPART considered both maximum and market pay-ins but noted that it may not be reasonable to cross check the market pay-in with operator costs because: <ul style="list-style-type: none"> – Pay-ins change over time depending on the supply and demand for drivers. – Where pay-ins are traded for entitlements, operator costs should be reduced accordingly so costs are not double counted.
<p>Driver entitlements in the contract determination are included in the TCI but not paid by operators (NSWTDAs).</p>	<ul style="list-style-type: none"> ▼ IPART has no role in enforcing the contract determination. ▼ The 2007 PwC survey attempted to capture entitlements actually provided to drivers but had difficulty with this due to trading off of entitlements for reduced pay-ins.

Issue raised in submission	IPART response
Driver entitlement costs allocated to operators should be separately reported (NSWTDAs).	<ul style="list-style-type: none"><li data-bbox="564 394 1284 450">▼ In 2008, IPART decided that entitlements should be included in the TCI for all drivers at a rate of 15 per cent of notional wages. <li data-bbox="564 506 1284 745">▼ In 2008, IPART separately identified:<ul style="list-style-type: none"><li data-bbox="596 546 1284 602">– the value of notional drivers' leave entitlements included in the TCI in total (set at 15 per cent of notional wages)<li data-bbox="596 618 1284 674">– the value of entitlements allocated to operators (based on the cost of meeting the obligations in the contract determination)<li data-bbox="596 689 1284 745">– the value of notional 'self-funded' entitlements (total entitlements less the value allocated to operators).<li data-bbox="564 761 1284 817">▼ IPART also reported the calculations and assumptions underlying these costs.<li data-bbox="564 833 1284 918">▼ The allocation of entitlements between drivers and operators does not affect the outcome of the TCI but is separately reported to clarify the costs included and assist the IRC in its processes.

F Taxi network Key Performance Indicators

This attachment defines each key performance indicator for Sydney taxi networks as discussed in sections 7.1.1 and 7.2. It also provides full KPI information for standard and WATs taxis in the Sydney area. All of the data below is for the year ending 31 March.

Table F.1 Explanation of key performance indicators

KPI	Measures
KPI 1: Number of bookings requests	Total number of all bookings received from passengers and inloads
KPI 2: Number of rejections	The total number of rejects for bookings received by the network
KPI 3: Number of jobs accepted by taxi drivers	Total number of jobs accepted by drivers
KPI 4: Average acceptance time (min)	Time period between when the booking is made available to when a taxi driver accepts the booking
KPI 4.1: Average acceptance time for bookings not involving off-loads	Average acceptance time for bookings not involving off-loads
KPI 4.2: Average acceptance time for an internal off-load	Average acceptance time for an internal off-load
KPI 5: Number of M3s (No shows)	The number of booking requests in the month where the customer is not at the booking address when the taxi arrives
KPI 6: Taxi pick up time	The pick up time is the time from when the booking is required by the customer to the time the taxi turns its meter "on"
KPI 6.1: Pick up within 15 mins of booking being made	Percentage of total recorded "meter on" events where the pick up time was less than or equal to 15 minutes
KPI 6.2: Pick up within 30 mins of booking being made	Percentage of total recorded "meter on" events where the pick up time was less than or equal to 30 minutes
KPI 6.3: Pick up within 60 mins of booking being made	Percentage of total recorded "meter on" events where the pick up time was less than or equal to 60 minutes
KPI 6.4: Total taxi pick ups	Total taxi pick ups
KPI 6.5: Average pick up time	The average of the pick up times in the month reported

KPI	Measures
KPI 6.5.1: The average pick up time when no off-load	The average of the pick up times in the month reported
KPI 6.5.2: The average of the pick up times in the month when the booking fleet is offered to a fleet within the bureau	The average of the pick up times in the month when the booking fleet is offered to a fleet within the bureau
KPI 7: Number of ringbacks	The number of ring backs made by the customer inquiring about a taxi booking request
KPI 8: Number of taxis operating on the network	Total number of taxis authorised to operate on the network as at the last day of the calendar month
KPI 9: Telephone answering	The time elapsed between; <ul style="list-style-type: none"> a) The time the PABX registers a call on a line b) The time the PABX answers the call
KPI 9.1: Number of phone calls received including abandoned calls	All telephone calls received in a month including abandoned calls
KPI 9.2: Number of phone call answered within one minute (excluding abandoned calls)	Number of phone call answered within one minute
KPI 9.3: Number of phone call answered within two minutes (excluding abandoned calls)	Number of phone call answered within two minutes
KPI 9.4: Total average answering time	The average answering time of all calls answered
KPI 9.5: Abandoned telephone calls	Abandoned telephone calls
KPI 10: Average number of radio jobs completed per month per car	Average number of radio jobs completed per month per car
KPI 11.1: Number of bookings offloaded per month	Number of bookings offloaded per month (both internal and external)
KPI 11.2: Number of bookings offloaded and returned as unable to be met per month	Number of bookings offloaded and returned as unable to be met per month
KPI 11.3: Number of bookings successfully offloaded per month	Number of bookings successfully offloaded per month
KPI 12: Number of No Cars Available (NCAs)	Total number of NCAs
KPI 13.1: Number of taxis signed on at 9 am	Number of taxis signed on at 9 am averaged over the month
KPI 13.2: Number of taxis signed on at 9 pm	Number of taxis signed on at 9 pm averaged over the month

Table F.2 Key performance indicators for Sydney standard taxis, 2007-2009

	2007	2008	2009	Change (%)	
				Since 2007	Since 2008
KPI 1: Number of booking requests (000)	13,258	13,330	12,736	-3.9	-4.5
KPI 2: Number of rejections (000)	33,291	35,595	34,574	3.9	-2.9
KPI 3: Number of jobs accepted by taxi drivers (m)	10.7	10.7	10.1	-5.6	-5.5
KPI 4.1: Average acceptance time for bookings not involving off-loads (min)	n/a	n/a	2.8	n/a	n/a
KPI 4.2: Average acceptance time for an internal off-load (min)	3.0	2.7	2.7	-10.6	-2.9
KPI 5: Number of M3s (No shows) (000)	1,120.0	1,185.4	1,093.1	-2.4	-7.8
KPI 6.1: Pick up within 15 mins of booking being made (000)	8,685.1	8,549.7	8,131.4	-6.4	-4.9
KPI 6.2: Pick up 15 and 30 mins of booking being made (000)	653.9	709.3	552.2	-15.6	-22.1
KPI 6.3: Pick up between 30 and 60 mins of booking being made (000)	75.2	96.6	67.8	-9.9	-29.8
KPI 6.4: Total taxi pick ups (000)	9,415	9,357	8,752	-7.0	-6.5
KPI 6.5.1: The average pick up time when no off-load (min)	7.5	8.3	7.7	2.9	-6.8
KPI 6.5.2: The average of the pick up times in the month when the booking fleet is offered to a fleet within the bureau (min)	n/a	n/a	6.8	n/a	n/a
KPI 7: Number of ringbacks (000)	619.6	683.2	574.1	-7.3	-16.0
KPI 8: Number of taxis operating on the network	5,000	5,118	5,165	3.3	0.9
KPI 9.1: Number of phone calls received including abandoned calls (000)	13,090.8	13,157.0	12,028.5	-8.1	-8.6
KPI 9.2: Number of phone call answered within one minute (000)	12,395.4	12,264.8	11,612.8	-6.3	-5.3
KPI 9.3: Number of phone call answered between one and two minutes (000)	464.8	561.8	153.9	-66.9	-72.6
KPI 9.4: Total average answering time (sec)	16.7	16.0	9.1	-45.6	-43.0
KPI 9.5: Abandoned telephone calls (000)	n/a	n/a	201.0	n/a	n/a
KPI 10: Average number of radio jobs completed per month per car	156.9	152.4	148.3	-5.5	-2.7
KPI 11.1: Number of bookings offloaded per month (000)	2,098.8	2,235.9	2,012.7	-4.1	-10.0
KPI 11.2: Number of bookings offloaded and returned as unable to be met per month (000)	172.3	203.4	158.3	-8.1	-22.2
KPI 11.3: Number of bookings successfully offloaded per month (000)	1,926.1	2,032.3	1,855.3	-3.7	-8.7
KPI 12: Number of No Cars Available (NCAs) (000)	199.8	236.9	199.4	-0.2	-15.8

	2007	2008	2009	Change (%)	
				Since 2007	Since 2008
KPI 13.1: Number of taxis signed on at 9 am	3,364.0	3,280.6	3,422.3	1.7	4.3
KPI 13.2: Number of taxis signed on at 9 pm	3,493.5	3,451.7	3,604.2	3.2	4.4

Note: KPI 4.1, 6.5.2, 9.5 are new KPIs. KPI 4.1, 4.2, 6.5.1, 6.5.2, 8, 9.4, 10, 13.1 and 13.2 show the mean of the monthly average results.

Source: Ministry of Transport.

Table F.3 Key performance indicators for Zero200 taxis, 2007-09

	2007	2008	2009	Change (%)	
				Since 2007	Since 2008
KPI 1: Number of bookings required (000)	107.3	120.4	118.7	10.6	-1.4
KPI 2: Number of rejections (000)	82.3	73.6	62.9	-23.5	-14.4
KPI 3: Number of jobs accepted by taxi drivers (000)	95.0	105.8	104.0	9.5	-1.7
KPI 4: Average acceptance time (minutes)	6.7	3.6	3.6	-45.5	-0.9
KPI 5: Total number of M3's (passenger no shows)	856	888	820	-4.2	-7.7
KPI 6.1: Pick up within 15 mins of booking being made (000)	66.7	81.8	80.7	21.0	-1.3
KPI 6.2: Pick up between 15 and 30 mins of booking being made (000)	19.2	18.1	18.3	-4.6	1.2
KPI 6.3: Pick up between 30 and 60 mins of booking being made (000)	7.3	4.6	3.7	-49.1	-19.0
KPI 6.4: Total taxi pick ups (000)	94.1	104.9	103.1	9.5	-1.8
KPI 6.5.1: The average pick up time (min)	11.3	8.8	8.8	-22.1	0.6
KPI 7: Number of ring-backs	2,133	1,252	1,114	-47.8	-11.0
KPI 8: Number of taxis operating on the network (monthly average)	346	433	476	37.6	10.0
KPI 9.1: Number of phone calls received including abandoned calls (000)	98.3	105.9	115.2	17.2	8.8
KPI 9.2: Number of phone call answered within one minute (000)	86.6	96.7	107.7	24.4	11.4
KPI 9.3: Number of phone call answered between one and two minutes (000)	6.8	6.1	4.2	-39.0	-31.1
KPI 9.4: Total average answering time (sec)	30.3	26.2	18.8	-38.0	-28.3
KPI 9.5: Abandoned telephone calls (000)	n/a	n/a	838	n/a	n/a
KPI 10: Average number of radio jobs completed per taxi	23.3	20.1	17.9	-22.9	-10.8
KPI 11.1: Number of taxis signed on at 8am	124.7	162.6	173.3	39.0	6.6
KPI 11.2: Number of taxis signed on at 4pm	202.8	281.0	335.0	65.2	19.2

Note: KPI 4, 6.5.1, 8, 9, 10, 11.1 and 11.2 show the mean of the monthly average results. KPI 9.5 is a new KPI.

Source: Ministry of Transport.

Glossary

ATDA	Australian Taxi Drivers Association.
Bailee driver	Driver who takes a taxi on bailment (in urban areas under the <i>Taxi Industry (Contract Drivers) Contract Determination 1984</i>).
Bailment system	The method by which drivers and operators provide taxi services and share taxi revenue. For urban taxis in NSW this arrangement is governed by the <i>Taxi Industry (Contract Drivers) Contract Determination 1984</i> .
Booking fee	Fixed component of fare charged for booking a taxi through a taxi network.
CFMS	Customer Feedback Management System. Records all complaints and compliments logged by passengers through the taxi companies, Transport Infoline or the Ministry of Transport's Transport Operations Division.
Contract Determination	The <i>Taxi Industry (Contract Drivers) Contract Determination 1984</i> . Determined by the IRC, this determination governs the terms and conditions of bailment for urban taxis in NSW.
CPI	Consumer Price Index. Price index measuring the cost of goods purchased by households. Compiled by the Australian Bureau of Statistics.
Distance rate/Tariff I	Distance component of fare charged per kilometre travelled. Tariff I applies from 6am to 10pm. In areas under the country fare scale this component is charged for the first 12km only.
Flag fall	Fixed component of the fare that is charged when the meter is first started on every taxi trip.
GDP	Gross domestic product. GDP is a measure of national output.
Holiday surcharge	Fare component charged on Sundays and public holidays for areas under the country fare scale. Calculated as a percentage mark-up on the distance rate.

IPART	Independent Pricing and Regulatory Tribunal. Provides fare recommendations to the Minister for Transport on an annual basis.
IRC	New South Wales Industrial Relations Commission. The IRC sets conditions and pay-ins in the urban area according to the <i>Taxi Industry (Contract Drivers) Contract Determination 1984</i> .
KPI	Key Performance Indicators. Measure network service performance. KPIs are collected by the Ministry of Transport. Some KPI information is published on the Ministry of Transport website.
LPG	Liquefied Petroleum Gas. According to the recent PwC taxi cost survey, LPG is used by 95 per cent of taxis in NSW.
Maxi taxi surcharge	Fare component charged for hiring a maxi taxi, except when it is hired from a taxi zone or hailed on the street to carry up to 5 passengers or as a multiple hiring. Calculated as a percentage mark-up on the entire fare (excluding tolls).
NCOSS	Council of Social Service of New South Wales.
Network fees	Fees paid by the operator of a taxi to belong to an authorised taxi network.
Night time surcharge	Fare component charged for trips between 10pm and 6am. Calculated as a percentage mark-up on the distance rate.
NSWTDA	New South Wales Taxi Drivers Association.
Pay-in	The amount paid by a bailee driver to an operator for the use of a taxi. Maximum pay-ins for urban taxis are determined by the NSW IRC and set out in the <i>Taxi Industry (Contract Drivers) Contract Determination 1984</i> but discounting below this rate is common.
PDCN	Physical Disability Council of NSW.
PwC	PricewaterhouseCoopers. A consultancy firm. Conducted a survey of taxi drivers and operators in 2007 which identified taxi industry costs.
Tariff II (Country)	Fare component charged for distance travelled beyond 12km. Charged in areas under the country fare scale only.
Taxi Council	New South Wales Taxi Council.

Taxi Transport Subsidy Scheme	Subsidy provided to qualifying passengers for WAT bookings. Currently provides a discount of 50 per cent on the total fare up to a maximum subsidy of 30 dollars.
TCI	Taxi Cost Index. Used by IPART to measure the increase in taxi industry costs between review periods.
TTSS	Taxi Transport Subsidy Scheme.
Waiting time	Fare component charged when the meter is running and taxi is stationary or travelling below the waiting time threshold speed. For example waiting time is charged when: <ul style="list-style-type: none"> ▼ the taxi has arrived at a pick-up address and has legally started the meter but the journey has not yet commenced ▼ the taxi is stopped at traffic lights during the journey ▼ the taxi is driving slowly through heavily congested traffic during the journey.
Waiting time threshold speed	Speed in km/h, below which waiting time is charged rather than the distance rate. The threshold speed is currently 26km per hour.
WAT	Wheelchair Accessible Taxi. WATs are connected to the Zero200 booking service and are obliged to take wheelchair jobs.
WPI	Wage Price Index. Price index measuring the cost of wages paid by business and government. Compiled by the Australian Bureau of Statistics.
Zero200	Taxi network which handles all bookings requiring a wheelchair accessible taxi. All WATs are required to be connected to this network.

