

Review of maximum taxi fares in country areas of NSW from July 2014

Transport — Final Report and Recommendations
February 2014



Independent Pricing and Regulatory Tribunal

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1 Introduction

Transport for NSW (TfNSW) has asked IPART to review taxi fares across NSW and the number of new annual Sydney taxi licences to release. As part of this review we will recommend to TfNSW the maximum taxi fares to apply in country areas from July 2014. This final report sets out our final recommendations on this matter.

1.1 Summary of our recommendations

Our recommendation is that maximum fares in country areas should not change next year. High licence values in many areas suggest that there are significant economic rents in fares. As a result, we consider that there is again scope to hold fares constant this year in order to bring them to a more efficient level and make taxi services more affordable for passengers. Leaving fares at their existing level is a low cost option for the industry as they do not need to make any changes to meters or information stickers.

Our final recommendation, that country fares should not change this year, is consistent with our draft recommendation and with our final recommendation for urban taxi fares.

We also reiterate the recommendation we made last year that TfNSW should reform taxi licensing arrangements outside Sydney in order to address the issue of high licence values (which suggest significant economic rents are being made in many country areas). Initially we consider that TfNSW should focus on country areas with licence transfer values above \$200,000.

In the absence of licence reform, country taxi licence transfer prices will continue to vary widely from town to town, indicating widely varying levels of economic rent. We intend to review our approach to recommending fares in country areas again during 2014 to ensure that our approach continues to be appropriate for all country areas. Any revised approach will be used to make fare recommendations in 2015. We intend to consult with country service providers during this process.

1.2 List of recommendations

- 1 No change to maximum taxi fares for country areas. The current maximum fares set out in the table below should continue to apply in 2014/15. 12

Recommended maximum fares for 2014/15

Fare component	Price
Hiring charge ^a	\$4.00
Standard distance rate (\$/km charged when the vehicle is travelling more than 26 km/hr)	\$2.20 for the first 12 km \$3.05 after 12 km
Night distance rate (\$/km charged when the vehicle is travelling more than 26 km/hr, 10 pm – 6 am) (20% surcharge)	\$2.64 for the first 12 km \$3.66 after 12 km
Waiting time (\$/hr when vehicle slower than 26km/hr)	\$56.24 (93.7c per minute)
Booking fee (booked fares only)	\$1.10
Maxi taxi surcharge (on total fare) ^b	50%

^a The hiring charge was previously called the flag fall.

^b Applies when a maxi cab is pre booked (regardless of the number of passengers) or if a maxi cab is hired from a taxi zone or street hail to carry 5 or more passengers.

Source: TfNSW, <<http://www.transport.nsw.gov.au/content/maximum-taxi-fares-and-charges>>.

- 2 TfNSW reform taxi licensing arrangements outside Sydney. Initially TfNSW should focus on areas with licence transfer values above \$200,000. 13

1.3 Where the recommendations apply

The recommendations apply in all areas of NSW except:

- ▼ The following areas, where urban fares apply: Sydney Metropolitan, Camden, Picton, Thirlmere, Tahmoor, Bargo, Blue Mountains, Newcastle, Fern Bay, Toronto, Minmi, Williamtown, Medowie, Ferodale, Raymond Terrace, Campvale, Fassifern, Hexham, Maitland, Beresfield, Fullerton Cove, Tomago, Cams Wharf, Gosford, Wyong, Wollongong and Shellharbour.
- ▼ The following areas, which are designated as exempt: Moama, Barham, Tocumwal, Mulwala, Barooga and Deniliquin.

Our recommendations for maximum fares in Sydney and other urban areas are set out in a separate report, which is available from our website (www.ipart.nsw.gov.au).

2 Review context & process

2.1 What we need to consider in making our recommendations

A copy of our terms of reference for this review is provided in Appendix A of this report. In summary, the factors we need to consider include:

- ▼ the cost of providing services and the need for greater efficiency in the supply of services so as to reduce costs for the benefit of customers
- ▼ the protection of customers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- ▼ the need to maintain ecologically sustainable development
- ▼ the impact on customers of the recommendations
- ▼ standards of quality, reliability and safety of the services
- ▼ the effect of any pricing recommendation on the level of Government funding.

2.2 Maximum fares in country and urban areas

Currently there are different maximum fare schedules for urban and country areas. Maximum fares did not increase in 2013 in either urban or country areas. However, TfNSW introduced a peak hiring charge on Friday and Saturday nights in urban areas. This charge does not apply in country areas.

Individually, most of the components of the fare schedule are higher in country areas than in urban areas (eg, the hiring charge in the country is 50 cents higher and the base distance charge is 6 cents per km higher) but the average fare paid is lower. There are other differences between urban and country fare schedules including a higher distance rate once a threshold of 12 kilometres has been reached for country taxis, which does not apply in urban areas, a lower booking fee for country taxis and extended hours for the distance rate surcharge to include Sundays and public holidays.

2.3 Licence arrangements

Prior to 2009, the number of taxi licences in Sydney did not keep pace with the growth in Sydney's population, household and business income, economic activity or tourism numbers. This meant that there were not enough taxis on the road to meet passenger demand. As a result of this scarcity (and not because of their productive capacity), taxi licences became very expensive to buy and lease. High licence costs increased the costs of operating a taxi business, and flowed through to the fares for taxi services. To address these problems, the *Passenger Transport Act 1990* (the Act) was amended in 2009 so that TfNSW was required to decide how many new licences would be released each year.

Outside Sydney, new ordinary or short-term licences can be purchased from TfNSW at market rates, or existing ordinary and perpetual licences can be bought (transferred) on the secondary market. Wheelchair accessible taxi (WAT) licences are available at no cost.¹ However, TfNSW has stated that the Sydney reforms could be rolled out across the state in future.

The new licensing arrangements have commenced initially in the Sydney Metropolitan Transport District. Further consideration will be given to introduction to Newcastle, Wollongong, the Central Coast and country areas.²

Licence transfer values differ significantly across NSW. Last year IPART recommended that reforms are made to licensing arrangements outside Sydney. We noted that there are several places where licences trade for more than \$200,000 and indicated that these areas should be given priority for review.

2.4 Review process

The process we have followed in conducting this review includes public consultation and detailed analysis. As part of this process, we:

- ▼ released an issues paper on 15 October 2013, which outlined the key issues we would consider, and invited interested parties to make a submission in response to this paper
- ▼ held a public hearing on 22 October 2013
- ▼ released a draft report on 17 December, which outlined our draft recommendations, and invited interested parties to make a submission in response to this paper
- ▼ considered all submissions and stakeholder comments we received.

We are running the review of country taxi fares in conjunction with our review of maximum taxi fares and licence numbers in Sydney, and maximum taxi fares in other urban areas. We have also made recommendations on each of these issues to TfNSW.

¹ WAT licences are available from TfNSW for free in country areas. Operators of WATs still need to be affiliated with a network and typically there's only one in each country town.

² In the meantime, new 'ordinary' and short-term licences for taxis can still be issued. TfNSW website <<http://www.transport.nsw.gov.au/content/background>>.

3 Cost of providing taxi services in country areas

The information we have from the CIE's taxi cost survey for country and other urban areas had relatively small response rates – not enough to provide quality information on costs in different areas. However, there is enough information to suggest that:³

- ▼ Average costs are different between country areas and urban areas (including Sydney).
- ▼ Costs differ significantly across different country areas.
- ▼ There are operational and structural differences in country areas compared with Sydney. This is also true for other urban areas but to a lesser extent.

On average, fares collected by country taxis are lower than by urban taxis despite individual fare components being higher. Country taxis report higher numbers of jobs per shift but operate fewer shifts than urban taxis. However, the survey we undertook shows more variation across country areas than there is in urban areas.⁴ In country areas, a greater proportion of jobs are booked through taxi networks than in either Sydney or other urban areas (Table 3.1).

Table 3.1 Radio bookings (% of jobs) – CIE driver survey

	Sydney	Other urban	Country
Mean	20%	54%	74%
Median	10%	50%	80%

Source: CIE survey responses. We note that for Sydney, 30% of respondents to the Taverner survey of passengers in Sydney booked their trip through a network (Taverner Research, *Survey of Taxi Use in Sydney*, November 2013, p 23).

3.1 Level of costs

On average, costs in country areas are lower than in urban areas. However, there is significant variation in costs between different country towns. Licence costs, fuel costs and network fees, which account for around a third of total costs, show significant variation.

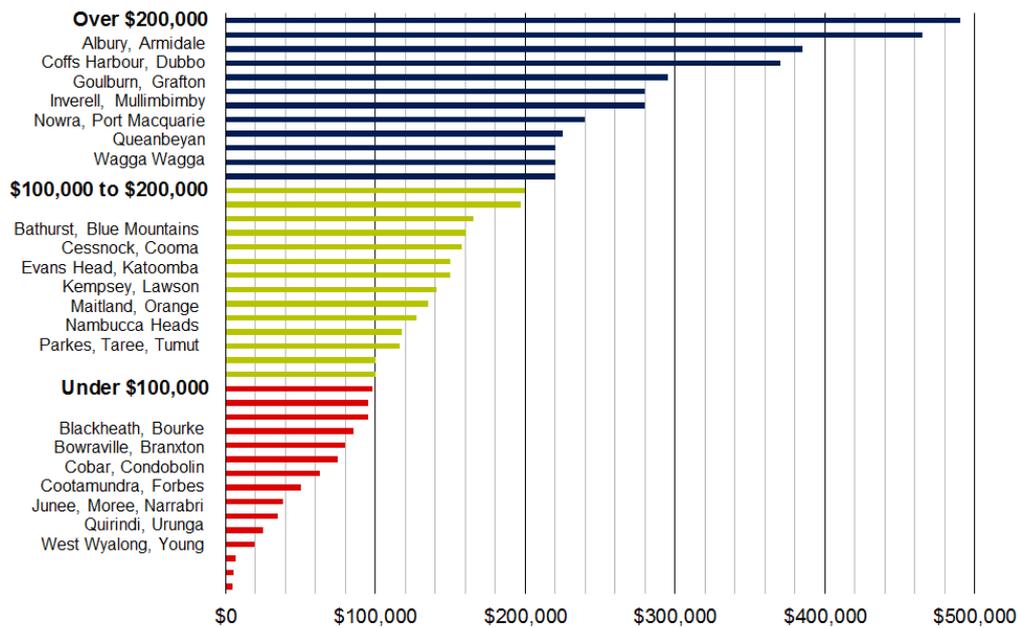
³ The CIE, *Reweighting the Taxi Cost Index, Final Report*, April 2012, pp 43-44. The information we have from the CIE's taxi cost survey for country and other urban areas had relatively small response rates – enough to illustrate differences but not enough to provide quality information on costs in different country areas.

⁴ The CIE, *Reweighting the Taxi Cost Index, Final Report*, April 2012, pp 33-34, 102-103.

3.1.1 Licence costs

The CIE estimated⁵ the cost of leasing a standard licence plate in urban areas was around \$29,000 (ex GST) compared with \$17,000 in country areas. The country cost estimate is based on a small sample of only 10 responses, possibly reflecting the fact that fewer operators in country areas lease their licence – around 25% compared with around 60% of urban operators. Licence transfer values differ significantly across country NSW. For example, between April 2011 and December 2013, licences traded for less than \$10,000 in 2 areas but more than \$450,000 in another two (see Figure 3.1 below).

Figure 3.1 Average licence transfer values in various NSW towns (April 2011 to December 2013)



Note: The towns listed for each group are in alphabetical order, which does not correspond with series order.

Data source: TfNSW information return.

High or growing licence values may be an indicator that fares are too high in a particular region as they reflect excess earnings after operational and cost differences are taken into account.

⁵ The CIE, *Reweighting the Taxi Cost Index, Final Report*, April 2012, pp 43-44.

3.1.2 Fuel costs

There are significant differences in fuel prices in different towns. For example, in January 2013 average prices varied from a low of 72 c/L (Albury) to a high of 106 c/L (Orange) compared with the average country price of 87 c/L (based on the sample of towns used in the TCI calculation). The CIE survey found significantly more variation in fuel costs reported by country respondents⁶ than by those in urban areas⁷ (reflecting differences in both price and operating conditions).

3.1.3 Network costs

The fees for each country network obtained by the CIE survey were very different, and different again from urban network fees.⁸ Due to the co-operative structure in country areas costs are not allocated neatly into driver, operator, network and licence owner categories as they are in Sydney. Differing definitions and cost-sharing practices mean that country networks report fees that vary significantly between towns and over time.

3.2 Changes in costs over the past year

In the past we used a taxi cost index (TCI) to calculate the annual change in costs and recommended that fares increase by this amount.

However, we consider that there are currently significant uneconomic costs that are compensated for through fare revenue. As a result, fares are already high enough to cover any actual cost increases experienced this year so there is no need to calculate the annual change in costs faced by the industry using the TCI or any other method. It is our view that the licence costs are high enough to absorb the changes in costs.

Fuel costs can vary quite substantially between areas and are volatile over time. We obtain monthly data from FUELtrac about average daily fuel prices in 33 cities and towns across NSW to track movements in LPG prices. Figure 3.2 shows the pattern of country LPG prices over the past 6 years.

In our issues paper we stated that even though we would not use the TCI to measure the change in costs over time, we would continue to track LPG prices, as fluctuations in the price of LPG can have a significant effect on cash flows in the short term. We proposed to recommend an adjustment to fares to take this into account if the price of LPG changed by more than 20%.

⁶ Typically a fare sharing arrangement applies in country areas (50/50 between drivers and operators is the usual share). Operators in country areas pay for fuel out of their share (this is different from a Sydney fixed pay-in arrangement where drivers are responsible for fuel).

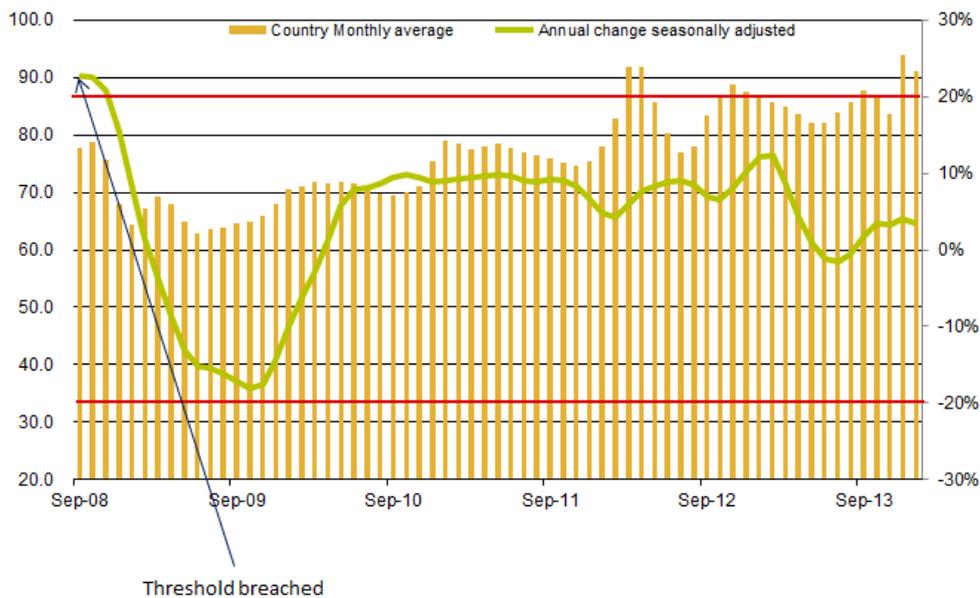
⁷ The CIE, *Reweighting the Taxi Cost Index, Final Report*, April 2012, pp 98-99.

⁸ The CIE, *Reweighting the Taxi Cost Index, Final Report*, April 2012, p 47.

Our final recommendation is that we will review LPG prices on an ongoing basis outside the regular fare review cycle. We intend to track the movement in LPG prices on an ongoing basis, and if it changes by more than 20% (**up or down**) in any 6-month period, compared to the same 6 months the year before (to avoid capturing seasonality effects) we will recommend that fares change by the proportion of LPG to total costs (as measured in our 2013 fare review at 11%). So, for example, if LPG costs rise by 25% we will recommend that fares be increased by 2.75% (plus the cost of making the meter change).

Because of the administrative costs involved with fare changes (including meter changes and printing and distributing new fare stickers), if the 20% threshold is triggered and IPART recommends a fare change, we would not make further fare recommendations to reflect LPG changes for another 6 months following the recommendation.

Figure 3.2 Historical changes in country LPG fuel prices



Data source: FUELtrac.

This is a slightly different mechanism to the existing 'mid-year fuel review' that we have conducted in previous years, because the timing of our fare recommendations has changed. Previously, IPART would give its final recommendations to TfNSW on fares one month before fares were due to increase in July, which would account for the annual change in LPG costs to April. Then, in the following December, we would measure the change in LPG prices for the 6 months between May and October and if we found they had changed by more than 20% we would recommend an additional fare change to apply from January. However, because we have now been asked to make our final recommendations 5 months in advance of the July fare change, we have reconsidered the way we undertake this process.

The NSW Taxi Council submitted that isolating LPG for consideration is discriminatory against operators.⁹ We are recommending tracking LPG costs because, unlike other costs, they are particularly volatile and are borne directly by drivers. Drivers' take home earnings will be affected by this volatility if they cannot negotiate a lower pay-in with operators in response to spiking LPG prices in the short term.

4 Analysis and final recommendations

Country taxis have the following characteristics that make them different from those in Sydney:

- ▼ a co-operative structure in which the licence owner is commonly the operator and part of the local network
- ▼ a high proportion of pre-booked trips
- ▼ significant cost and operational variation between different areas.

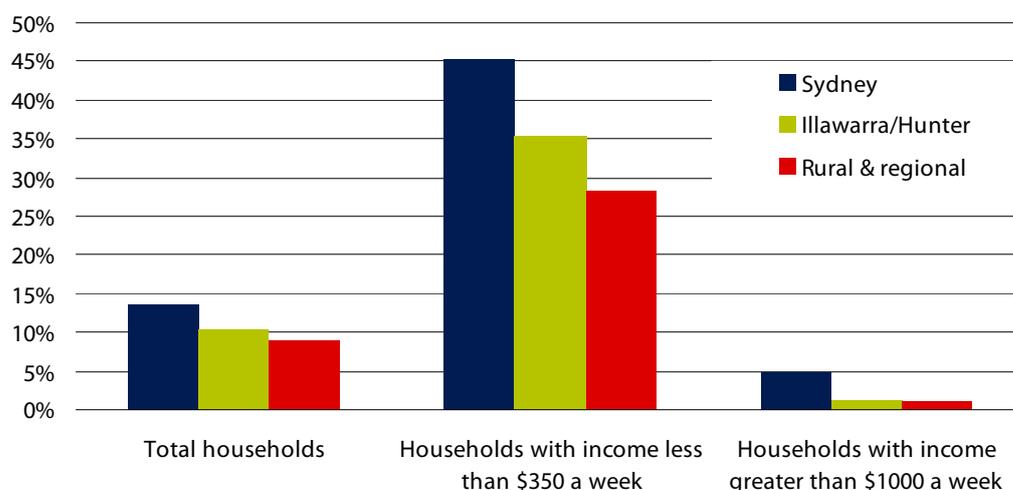
The differences in cost and operation mean that a single regulated maximum fare for all country towns is unlikely to be cost reflective for any one town and as a result, this approach does not reduce costs and improve efficiency – one of the aims of our review. However, the cost of setting regulated maximum fares for individual towns would be significant and the necessary information is not readily available. As a result, that approach is also unlike to reduce costs or improve efficiency.

Many of the reasons taxi fares are regulated at all are not applicable in country areas (for example, the potential exploitation of passengers hailing or obtaining a taxi at a rank). As such, we consider that a posted price regime, where taxi companies are able to set their own prices (published and notified in advance) would result in more efficient fares.

⁹ NSW Taxi Council submission on issues paper, 18 November 2013, unnumbered page.

However, we are concerned that under current circumstances a posted price regime may expose passengers to significant overcharging. While some people see taxis as discretionary, there are others that rely on taxi transport (for example, people with limited mobility). A significant proportion of low income households in rural and regional areas do not have access to a motor vehicle - Figure 4.1. There is also likely to be limited public transport in rural and regional areas that can provide an alternative to taxis.

Figure 4.1 Households without access to a motor vehicle (%)



Data source: ABS, 2006 census.

Last year, we recommended continuing with a single regulated maximum fare schedule and keeping fares constant in nominal terms. We recommended this because we considered that:

- ▼ continuing to index fares using the TCI (which has typically been 3% to 4% per year) would worsen inefficient fares in many country towns
- ▼ differences in licence values across NSW are such that it may not be appropriate to apply a fare reduction across the board in country areas
- ▼ it is not practical to determine maximum fares for each area separately (it would be very costly and we do not have access to the required information)
- ▼ an increase in fares may worsen the situation in regions with already high licence values.

Our issues paper proposed a second consecutive year of no fare change. After considering stakeholder views we recommended this in our draft report. Several submissions to our issues paper and draft report commented on this.

The NSW Taxi Council noted that a nominal fare freeze is actually a reduction in real terms and stated that country areas are particularly sensitive to such an approach.¹⁰ The NSW Taxi Council also submitted that the TCI should be reinstated because rural and regional NSW are more sensitive to cost movements, particularly given that recent LPG and CTP insurance price increases have been greater in the country than for the city.¹¹

However, NCOSS was concerned about the affordability of taxi fares. NCOSS submitted that in many country areas there is limited or no public transport which means that a larger segment of the population may rely on taxis.¹² NCOSS also submitted that the population is ageing more rapidly in regional areas than in urban areas and that this may lead to an increase in the number of older people that depend on taxis to access essential services outside urban areas.¹³

The ATDA submitted that it is unfair that country drivers earn less than city drivers and to correct this, fares in the country should be set equal to fares in the city.¹⁴ Individually, most of the fare components in the fare schedule are higher in country areas but the average fare paid is lower. Equal driver incomes would not be achieved by setting fare components or average fares equal in urban and country areas because of the differences in cost and operation.

A taxi driver submitted that drivers do not benefit from fare increases and local residents cannot afford to pay them.¹⁵ However, he also submitted that drivers need greater income in order to stay in the industry so asked that the higher Tariff 3 distance rate apply all the time and/or a minimum fare be introduced.¹⁶ He submitted that this would improve service for passengers, particularly in areas that are currently underserved and for short trips that are currently associated with poor income. We do not consider that adopting these measures would increase driver income¹⁷ but it would make fares significantly more expensive for passengers and might further reduce demand for country taxis.

¹⁰ NSW Taxi Council comments at Public Hearing, 22 October 2013, p 61.

¹¹ NSW Taxi Council submission to the Issues Paper, November 2013, p 19 and NSW Taxi Council submission to the draft report, February 2014, p 40.

¹² NCOSS submission to the issues paper, November 2013, p 3.

¹³ NCOSS submission to the issues paper, November 2013, p 3.

¹⁴ ATDA submission, November 2013, pp 1, 5.

¹⁵ E O'Malley submission, November 2013.

¹⁶ The Tariff 3 rate is 20% higher than the standard distance rate. In urban areas this higher rate applies only at night (10pm to 6am) but in country areas it also applies on Sundays and public holidays.

¹⁷ A taxi driver's income is the difference between the fare revenue received and the expenses paid out. Taxi driver earnings are governed by supply of and demand for taxi drivers. Except in the very short term, fare increases do not benefit drivers. For further analysis of this issue see IPART, *Review of maximum taxi fares and review of annual Sydney taxi licences from July 2014 - Draft Report*, December 2013.

Another driver submitted to our draft report that our recommendations would impact his earnings because he works on a set commission.¹⁸ However, it is our view that driver earnings are determined by the market. If conditions change individual drivers can renegotiate the level of commission with operators.

We remain of the view that fares should be held constant again this year. We note that the reasons we made this recommendation last year still apply.

Recommendation

- 1 No change to maximum taxi fares for country areas. The current maximum fares set out in the table below should continue to apply in 2014/15.

Table 4.1 Recommended maximum fares for 2014/15

Fare component	Price
Hiring charge ^a	\$4.00
Standard distance rate (\$/km charged when the vehicle is travelling more than 26 km/hr)	\$2.20 for the first 12 km \$3.05 after 12 km
Night distance rate (\$/km charged when the vehicle is travelling more than 26 km/hr, 10 pm – 6 am) (20% surcharge)	\$2.64 for the first 12 km \$3.66 after 12 km
Waiting time (\$/hr when vehicle slower than 26km/hr)	\$56.24 (93.7c per minute)
Booking fee (booked fares only)	\$1.10
Maxi taxi surcharge (on total fare) ^b	50%

^a The hiring charge was previously called the flag fall.

^b Applies when a maxi cab is pre booked (regardless of the number of passengers) or if a maxi cab is hired from a taxi zone or street hail to carry 5 or more passengers.

Source: TfNSW, <<http://www.transport.nsw.gov.au/content/maximum-taxi-fares-and-charges>>.

In order to provide the necessary preconditions for achieving more efficient prices across NSW, we consider that some of the barriers to entry into the industry need to be addressed. Two of the areas where we see room for improvement are regulations regarding network services and licence cost/availability.

TfNSW is currently considering the regulations regarding network services as part of its review of the Passenger Transport Act. However, there has been no indication of whether licence arrangements in country areas will also be considered. In our issues paper we proposed continuing support for licence reform in country areas and sought comment on this issue and then recommended it in our draft report.

NCOSS supports changes to licence arrangements that would lead to downward pressure on fares. NCOSS submits that the arrangements that apply outside Sydney mean that most new entrants would purchase existing licences rather than new licences from the Government that add to the stock of licences, which drives up licence values, lease costs and fares, while not delivering service

¹⁸ B Gailer submission to the Draft Report, 18 December 2013, p 1.

improvements. NCOSS submits that this impacts disproportionately on people experiencing disadvantage who depend on taxis for day to day living.¹⁹

The Taxi Council does not support changes to licence arrangements and notes that many country areas have diminishing populations and decreasing demand and in those areas are much more sensitive to “some of the substitutes and competitors in those towns”. The Taxi Council stated that it does not support an arbitrary approach to releasing licences outside of Sydney, noting that ‘the market is best to sort that out, as it does do at the moment’.²⁰

Also, the Taxi Council does not believe that there is any need for licensing reform because “there is no statutory limit on the number of taxis in rural and regional NSW”. In addition, the Taxi Council suggested that illegal hiring activity has led to an increase of hire cars in some jurisdictions. As a result, some rural and regional towns are oversupplied with taxis.²¹

We disagree that the existing arrangements are delivering reasonable outcomes. We are aware that some country taxi businesses are facing difficulties and we consider that the current licence regime may have exacerbated some of these problems. High licence values and fares set above efficient levels make taxi businesses less competitive with other modes of transport and more vulnerable to changes in circumstances.

In country areas a greater proportion of operators own their own licence and are part of a co-operative network structure, which does make the situation different from that of a typical Sydney taxi (in Sydney most operators lease a licence and the networks typically do not operate taxis). We do not necessarily support extending the existing Sydney model to all country areas but we still consider that licence reform is needed.

Licence cost is likely to be a significant barrier to competition in some country areas and as a result, this situation should be reviewed. If the process is to be done incrementally, we consider that TfNSW should initially focus on reviewing licensing arrangements in urban areas other than Sydney and in country areas with high licence values (eg, above \$200,000).

Recommendation

- 2 TfNSW reform taxi licensing arrangements outside Sydney. Initially TfNSW should focus on areas with licence transfer values above \$200,000.

¹⁹ NCOSS submission to the issues paper, November 2013, p 3.

²⁰ NSW Taxi Council comments at Public Hearing, 22 October 2013, p 61.

²¹ NSW Taxi Council submission to the draft report, 7 February 2014, p 39.

5 Impact of our final recommendations

We are required to consider the impact of our recommendations on stakeholders and we have done this in making our recommendations. Specifically, we considered the impact of our recommendations for passengers, the industry, the NSW Government and the environment.

5.1 Implications for passengers

Our final recommendation to hold fares constant in 2014 follows TfNSW's decision not to change fares in 2013. Holding fares constant for 2 consecutive years is a significant real fare reduction. Under our final recommendation, the cost of catching taxis would continue to fall relative to the cost of other items, and relative to passenger income. This will make taxis more affordable and should allow passengers to use taxis more often.

5.2 Implications for the industry

In our view, the taxi industry will only be a viable, sustainable industry if it meets the needs of passengers. Keeping fares constant in nominal terms provides better outcomes for passengers than raising fares, which we consider has contributed to high licence values. As a result, we expect an improvement in the viability and sustainability of the taxi industry over the longer term, which is in the interests of drivers and operators.

There are currently considerable uneconomic costs that are compensated for through fare revenue. As a result, there is scope to hold fares constant without jeopardising the financial viability of the industry.

5.3 Implications for the NSW Government

NSW Government funding of taxi fares is limited to rebates provided via the Taxi Transport Subsidy Scheme (TTSS) for people whose transport options are restricted due to a severe and permanent disability.²² Across NSW in 2011/12, \$26.1 million was paid in subsidies to more than 72,000 people registered for the scheme.²³ All else being equal, holding fares at their existing levels would be unlikely to change the level of NSW Government funding required for the TTSS.

²² See <http://www.transport.nsw.gov.au/ttss> for details about the scheme.

²³ TfNSW, *Annual Report 2011/12*, pp 87 and 33.

5.4 Implications for the environment

We do not expect that our recommendations on fares would have significant implications for the environment. The Bureau of Transport Statistics' 2010/11 Household Travel Survey Summary Report found that taxi trips as a proportion of total trips made have stayed constant at 0.7% since 2001.²⁴ This survey suggests that the proportion of taxi trips is small in terms of overall travel, has remained relatively stable over time, and is not particularly sensitive to relatively small incremental changes in fares.

As we have proposed no change to fares in nominal terms (a small reduction in real terms), the impact of our recommendations in terms of pollution and congestion is likely to be small. However, we expect that reducing fares in real terms will make taxis more affordable and should allow passengers to use taxis more often.

6 Service standards

Our terms of reference require us to consider “standards of quality, reliability and safety of [taxi] services (whether those standards are specified by legislation, agreement or otherwise and any suggested or actual changes to those standards)”.

Our view is that transparent, accurate and targeted information on service performance is essential for accountability and good regulation that promotes competition and productivity. TfNSW is now publishing information on the performance of taxi networks in Sydney but it does not publish any information for country areas.

²⁴ Bureau of Transport Statistics, *2010/11 Household Travel Survey Summary Report*, 2012 Release, p 33 – proportion of trips by taxi (average weekday) in the Greater Sydney Metropolitan area.

As in previous years, we received information from TfNSW about the performance of taxi networks in Sydney and other urban areas but not for country areas. However, TfNSW did provide information from its Customer Feedback Management System for country areas (Table 6.1).

Table 6.1 Complaints and compliments by category in 2013 – country taxis

Total Complaints	136
Driver - Serious	0
Driver - Other	94
Operator	8
Network	34
Specific complaints	
Demanding more/other than prescribed fare	13
Driving in an unsafe manner	16
Rude to customer - incivility or impropriety	20
Taxi not arrive for booking	11
Failure to provide reasonable assistance	8
Compliments	9

Source: TfNSW, *Customer Feedback Management System data by network*, January to December 2013.



Appendices

A Terms of reference for the review

INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 TAXI INDUSTRY FARE REVIEW

I, Barry O'Farrell, Premier, pursuant to Section 9(2) of the *Independent Pricing and Regulatory Tribunal Act 1992*, approve the Independent Pricing and Regulatory Tribunal (IPART) entering into arrangements with Transport for NSW for two years to 3 August 2014 to provide services to Transport for NSW that are within its area of expertise. The services to be provided by IPART are the conduct of an investigation into, and the preparation of a report concerning, maximum fares for taxi services under the *Passenger Transport Act 1990*.

In providing these services, IPART should consider:

- i) the cost of providing the services concerned and the need for greater efficiency in the supply of services so as to reduce costs for the benefit of customers;
- ii) the protection of customers from abuses of monopoly power in terms of prices, pricing policies, and standards of service;
- iii) the need to maintain ecologically sustainable development;
- iv) the impact on customers of the recommendations;
- v) 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); and
- vi) the effect of any pricing recommendation on the level of Government funding.

The services to be provided by IPART will include a public consultation process through which the NSW Taxi Council, taxi industry participants and other stakeholders including the general community.

The services are to be provided through the provision of one or more reports to Transport for NSW, as agreed between Transport for NSW and IPART.



The Hon Barry O'Farrell MP
Premier
Minister for Western Sydney

Dated at Sydney... 11 October ... 2012

Glossary

ABS	Australian Bureau of Statistics
ATDA	Australian Taxi Drivers Association
Booking fee	Fixed component of fare charged for booking a taxi through a taxi network.
CIE, The	The Centre for International Economics
Cost inflator	A measure of the change in the price of a cost over time.
Consumer Price Index (CPI)	A measure of inflation, or the change in the cost of living over time.
Distance charge	The fare rate charged when travelling more than a threshold speed, currently 26km/h.
Flag fall	See Hiring charge.
Hiring charge	The fixed fee charged at the beginning of a taxi trip.
Key Performance Indicator (KPI)	Measures network service performance. KPIs are collected by TfNSW. Some KPI information is published on the TfNSW website.
LPG	Liquefied Petroleum Gas
IPART	Independent Pricing and Regulatory Tribunal. Provides taxi fare recommendations to TfNSW on an annual basis.
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 4 passengers or as a multiple hiring. Calculated as a percentage mark-up on the entire fare (excluding tolls).
NCOSS	Council of Social Service of NSW

Network, taxi	Taxi networks provide a radio booking service to the taxi operators who are affiliated with them, as well as security monitoring services for taxi drivers and passengers. Networks must be authorised by TfNSW.
Nominal	Not adjusted for inflation. For example, if something cost \$100 in 1990 and the same thing cost \$100 in 2012, its nominal cost has not changed. However, adjusting for 22 years of inflation, its real cost is lower in 2012 than in 1990.
Pay-in	The amount paid by a taxi driver to an operator for the use of a taxi. In country areas, drivers and operators typically share fare revenue. In Sydney maximum pay-ins 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.
Real	Prices or costs that have been adjusted for inflation. So something that cost \$100 in 1990 and \$100 in 2012 has had a drop in its real price since 1990. If the measure of inflation (usually CPI) has risen by 30% over that time, the real price of the object in 2012 can be expressed as '\$76.92 in 1990 dollars' (or the real price of the object in 1990 can be expressed as '\$130 in 2012 dollars).
TCIs	Taxi Cost Indices. Historically used by IPART to measure the change in taxi industry costs between fare review periods.
Transport for NSW (TfNSW)	The NSW Government agency that regulates taxis.
Wheelchair Accessible Taxi licence (WAT)	A licence to operate a Wheelchair Accessible Taxi. The operator is required to give preference to transporting wheelchair users.

