

has provided us with a copy of the survey report. The report was prepared for the City of Sydney in January 2009 and as a result, is not as recent as the other information we have available. Nevertheless we still consider it a valuable source of information on customer attitudes towards taxi services.

We recommend that NSWTI undertakes regular surveys of this kind in relation to taxi services across NSW and that the results of these surveys are made public. Passenger surveys provide vital information on service outcomes, which is missing from other measures. For example, much of the available data on service outcomes is collected through networks and as a result, applies to booked trips only.

5.4.1 Customer feedback data

For the year to March 2010, Customer Feedback Management System (CFMS) data showed an overall decrease in the number of complaints compared with the same period of 2009. In total, 6,092 complaints were recorded in 2010 compared with 6,659 in 2009, which is a reduction of 8.5%. This follows a decrease in complaints of 9.9% in 2009. Over the same time period, the number of compliments increased from 520 to 1024, an increase of 96.9%. Although this increase is from a small base, we think that the large increase in compliments coupled with the decrease in complaints represent a significant improvement in feedback over the past year.

Despite the overall trend being positive, there were mixed results in some of the most common complaints. Two of the 5 most common complaints have risen in number since last year, despite our estimate that the total number of taxi trips has fallen. Although we do note that both categories have lower levels of complaints than 2 years ago. Specifically:

- ▼ complaints for drivers demanding more/other than the prescribed fare rose by 3.6% over the past year
- ▼ complaints for drivers refusing a fare/hire when for hire rose by 12.5% over the past year.

Table 5.7 and Table 5.8 provide a summary of the changes in complaints and compliments received over the past 3 years.

Table 5.7 Summary of complaints and compliments compared to the previous year for urban taxis

	2008	2009	2010	Change (%)	
				Since 2008	Since 2009
Complaints	7,393	6,659	6,092	-17.6	-8.5
Driver - Total	5,229	4,672	4,255	-18.6	-8.9
Driver -Serious	142	123	94	-33.8	-23.6
Driver -Other	5,087	4,549	4,161	-18.2	-8.5
Fares	1,269	1,165	1,234	-2.8	5.9
Network	694	637	395	-43.1	-38.0
Taxi	201	185	208	3.5	12.4
Compliments	516	520	1,024	98.4	96.9

Note: Figures are for the year ending 31 March. Fares complaints are driver complaints concerning fares charged. Network complaints concern 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: NSWTL.

Table 5.8 Change in the most common complaints compared with the previous year for urban taxis

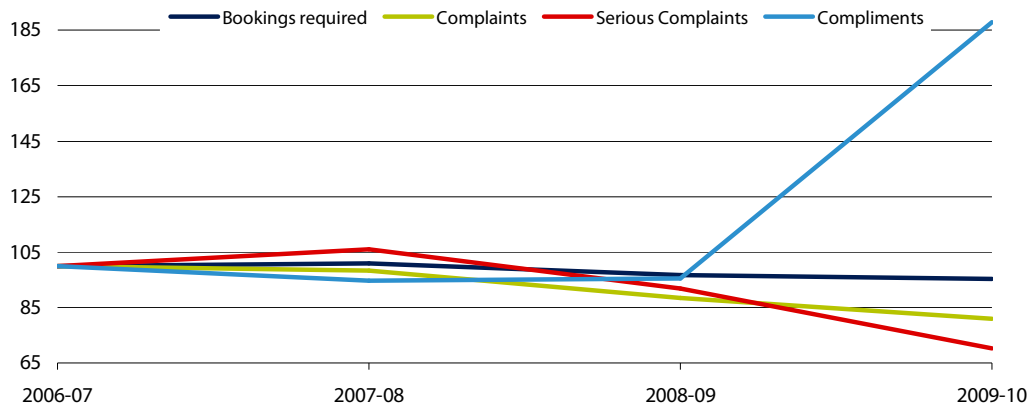
	2008	2009	2010	Change (%)	
				Since 2008	Since 2009
Demanding more/other than prescribed fare	1,093	1,001	1,037	-5.1	3.6
Driving in an unsafe manner	826	788	697	-15.6	-11.5
Rude to customer – incivility or impropriety	726	642	540	-25.6	-15.9
Refusal of a fare/hire when “for hire”	678	562	632	-6.8	12.5
Failure to provide reasonable assistance to customer	598	494	417	-30.3	-15.6

Note: Figures are for the year ending 31 March.

Source: NSWTL.

We have reviewed the change in complaints and compliments relative to changes in overall bookings required. As shown in Figure 5.1, this information indicates that, over the past 3 years, the total number of complaints has fallen significantly, while the number of bookings required has fallen by a smaller amount. Also, the number of compliments is much higher now than in 2007. Note that data on the number of bookings requested is not directly comparable with the complaints data for all taxi trips, which include rank, hail and private bookings, but does provide an indication of trends in these measures.

Figure 5.1 Index of changes in complaints, compliments and bookings required 2007-2010



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.

5.4.2 Taverner Research survey of taxi users

The City of Sydney commissioned Taverner Research to conduct a survey of taxi users in the City of Sydney area. The key objectives of the study were to identify the views of City of Sydney residents, workers and visitors with regard to:

- ▼ how often people catch taxis, and how they catch taxis
- ▼ why people catch taxis
- ▼ problems people have in obtaining a taxi
- ▼ passenger specific requirements.

Of the findings presented, we note the following which we consider to be key findings given previous comments by stakeholders on taxi service quality:

- ▼ 39% of passengers reported difficulty in getting a taxi in the CBD in the 6 months prior to the survey. Of these passengers, the lack of available taxis was the main issue, particularly on Friday and Saturday nights.
- ▼ Other passengers who had difficulty obtaining a taxi in the CBD cited taxi drivers being selective when picking up passengers, such as refusing short fares (14%) and passenger characteristics (3%).³⁴
- ▼ 32% of passengers reported difficulty getting a taxi elsewhere in the City of Sydney. Of these passengers the main problems were a lack of available taxis and booked taxis taking too long to arrive.

³⁴ The characteristics cited include sex, race, being intoxicated or luggage.

Passengers also provided comments on what actions they think should be carried out to improve taxi services. The key suggestions include:

- ▼ more taxis (22%)
- ▼ better local knowledge (19%)
- ▼ better network services (13%)³⁵
- ▼ better communication and more English speaking drivers (10%)
- ▼ drivers to be less picky with fares/not refusing fares - regulation of this (9%)
- ▼ better vehicle quality (9%).³⁶

A number of these issues have been raised as part of our reviews, both in our reports and in submissions. We note that the Government has begun to release additional licences to increase the number of taxis.

³⁵ Including shorter waiting times and greater responsiveness to complaints.

³⁶ Including cleanliness, age and air-conditioning.

6 Flat fares between Sydney Airport and CBD

In September 2009, the Government asked us to consider and make recommendations on whether flat (or fixed) fares should be introduced for taxi trips between Sydney Airport and the Sydney CBD, taking into account a number of specific issues (see Appendix D).³⁷

We have considered each of these issues as well as various options for how a flat fare could be applied (including experience in other schemes internationally), the advantages and disadvantages of flat fares (including whether there was a need for flat fares) and the potential consequences of introducing one.

The section below provides an overview of our recommendation on this issue. The subsequent sections discuss the factors we considered in reaching this view.

6.1 Findings and recommendations on flat fares

We have decided to recommend that a flat fare should not be introduced between the Sydney CBD and airport. In our view, the potential for disadvantage associated with introducing a flat fare outweighs the advantages, irrespective of what level the fare is set at. This view is strongly supported by stakeholders. None of the submissions we received were in favour of introducing a flat fare for these trips.

The key problem with flat fares is that there is no direct relationship between the fare and the costs of supplying the journey. This means that either passengers will be asked to pay too much, or taxi drivers and operators will not be able to cover their costs (potentially leading to a shortage of taxis for these trips). While the design of the flat fare system can minimise the disadvantages by making fares better reflect the cost of supply, our view is that they could only be sufficiently overcome by making the flat fare arrangements more complex; and the more complex the arrangements, the less flat fares deliver in terms of advantages.

Recommendation

- 8 Flat fares should not be introduced for taxi journeys between the Sydney CBD and Sydney Airport.

³⁷ Letter from Director General Ministry of Transport, 15 September 2009.

6.2 What flat fares look like and how they work in other cities

A flat fare for taxi journeys means that passengers pay the same amount regardless of the route or time taken to complete the journey. The fare could either apply 'off-meter' (as is done in several international cities) or 'on-meter', which would require taxi meters to be programmed to accommodate an additional fare type.³⁸

NSW Transport and Infrastructure (NSWTI) asked us to consider whether a flat fare should be introduced for 2 specific taxi trips:

- ▼ between the Sydney CBD (from Central Station to Circular Quay) and the International Airport Terminal
- ▼ between the Sydney CBD (from Central Station to Circular Quay) and the Domestic Airport Terminal.

Table 6.1 shows the characteristics of these trips including the distances involved, current metered fares, additional tolls or fees that apply to these trips and the cost of alternative modes of transport.

Table 6.1 Characteristics of Airport to Sydney CBD taxi journeys

	Domestic terminal	International terminal
Distance from CBD by road (approx)	6-12 km	11-17 km
Estimate of trips to and from the airport each year ^a	8 million trips in total (approx) 10%-15% of total taxi trips in Sydney (approx)	
Current metered taxi fare (inc tolls)	\$25-\$43	\$35-\$55
Applicable tolls	Airport Access Fee \$3.00 (charged on all journeys leaving the airport)	Airport Access Fee \$3.00 (charged on all journeys leaving the airport)
	Eastern Distributor \$5.00 (if used)	Eastern Distributor \$5.00 (if used)
	Cross City Tunnel \$4.28 (if used)	Cross City Tunnel \$4.28 (if used)
Comparable cost of single train journey to/from CBD (\$ per person)	\$15.00	\$15.40-\$15.80 ^b

^a There is currently no data available on the number of taxi trips to and from the airport each year. We have estimated these values based on information in Sydney Airport's 2006 Ground transport Plan and IPART's 2008 Review of Taxi fares in NSW. These include trips to and from all areas of Sydney.

^b Varies depending on origin/destination within the CBD.

Note: Distance from CBD and metered taxi fares vary based on route taken and destination within CBD (Central to Circular Quay). Fare estimates assume waiting time of 8 minutes for day journeys and 4 minutes for night journeys. Day rates apply 6 am to 10 pm. Night rates apply 10 pm to 6 am.

³⁸ In our discussion paper, we noted that a flat fare would be charged 'off-meter'. NSWTI has advised that a new fare category could potentially be programmed into most meters remotely and at low cost. In this case, drivers would be required to activate the flat fare on the meter.

This table shows that the cost of taxi trips that would be covered by the flat fare vary significantly under current metered fares. Potentially a different flat fare could apply to each of the 2 routes (international and domestic) to reflect the longer trip associated with journeys to and from the International Terminal. Depending on how the fare was specified, it could operate in both directions (ie, to and from the airport) or be different in each direction, it could include or exclude additional fees (such as the airport access fee³⁹, booking fee and Eastern Distributor toll), be the same all the time or vary by time of day (for example a higher rate could be charged during peak times or at night).

Flat fares for taxi journeys to and from the airport have been introduced in several cities internationally including New York, Tokyo, Miami and Rome. The systems in place in these cities differ depending on geography, the nature of the road network and the taxi industry and the availability of alternative modes of travel to the airport. In the case of Tokyo and Miami flat fares differ between various zones across the city. Table 6.2 compares some of the key features of these cities to Sydney.

Table 6.2 Characteristics of cities with flat fares compared to Sydney

	Sydney (City)	New York (Manhattan)	Tokyo	Miami	Rome ^c
Distance between the airport and city (approx km)	6-17km	23-36km	55-95km	3-37km	13-51km
Approx size of area where flat fares apply (square km)	5 ^a	60	2,187	1,946	13.7
Population density (people per square kilometre) ^b	5,104	25,805	5,655	447	1,978
International visitors per annum (million)	2.7	9.5	5.3	5	6

^a Approximate area of Sydney CBD between Central station and Circular Quay. No flat fare currently applies in Sydney.

^b Where possible, population densities have been listed for areas to which flat fares apply. Note that Sydney includes areas outside the CBD such as Woolloomooloo and Pyrmont. Miami includes the Miami-Dade County (note that population density of Miami City is 3,923 people per square kilometre however flat fares apply outside this area).

^c Flat fares apply between both of Rome's airports (Fiumicino and Ciampina) and the centre of the city.

Source: Population density: Sydney Australian Bureau of Statistics, Housing in Sydney

<<http://www.abs.gov.au/AUSSTATS/abs@.nsf/7d12b0f6763c78caca257061001cc588/6aab27cb0021d597ca2571b00016e4fd!OpenDocument>>

New York US Census Bureau State and County Quick facts Manhattan

<<http://quickfacts.census.gov/qfd/states/36/3651003.html>>

Miami US Census Bureau State and County Quick facts Miami-Dade County

<<http://quickfacts.census.gov/qfd/states/12/12086.html>>

Tokyo metropolitan Government <<http://www.chijihon.metro.tokyo.jp/english/PROFILE/OVERVIEW/overview3.htm>>

Box 6.1 contains a more detailed description of the flat fare arrangements that apply in these cities.

³⁹ An airport access fee of \$3.00 per pickup is currently charged by Sydney Airport and passed on to passengers. There is no charge for drop-offs at the airport.

Box 6.1 Flat taxi fares in other cities

Flat fares for taxi journeys to and from the airport apply in several cities such as New York, Miami and Tokyo. The key features of the flat fare in these cities are summarised below.

	New York	Tokyo	Miami	Rome ^a
Number of flat fare zones	1	6	11	1
Distance between airport and flat fare zone (approx – km)	23-36 km	55-95 km	3-37 km	13-51km
Cost	\$45 US	15,000-24,000 Yen	\$10-\$52	30/40 Euro
Flat rate set at low, average or high fare based on mileage	High	Low	Average	Average
Includes tolls	No	No	Yes	Yes
Vary by ward/zone	No	Yes	Yes	No
Vary by time of day	No	No	No	No

^a Flat fares apply between both of Rome's airports (Fiumicino and Ciampina) and the centre of the city

New York

Passengers travelling between (to and from) Manhattan and John F Kennedy (JFK) Airport pay a flat rate of \$45 USD plus any tolls incurred. This flat rate is slightly higher than the metered taxi fare from most locations in Manhattan.

The flat fare was first introduced in 1996 and initially operated in one direction only - from JFK Airport to Manhattan. Following its popularity with tourists and other visitors, the New York City Taxi and Limousine Commission (NYCTLC) extended the flat fare to passengers travelling from Manhattan to JFK Airport.

The fare applies irrespective of the number of passengers. If passengers request multiple stops within Manhattan, the flat fare is collected at the first stop and the meter is then activated for the remainder of the trip. The meter is not turned on and no night-time surcharge is added to the fare. Manhattan's geography is well suited to a flat fare, with the fare applying on Manhattan Island only.

The flat rate is higher than the fare based on mileage for most origins/destinations on Manhattan Island. This means that overall, drivers will not be worse off, or to put it another way, that passengers are paying a premium for the certainty of a flat fare.

There are several other modes of public transport available to the airport. Passengers can travel via New York's subway and an airport rail link (AirLink) at a cost of \$7.25 US or via shuttle bus at a cost of \$15 US.

Tokyo

Passengers travelling between Narita International Airport and different wards (or municipalities) of Tokyo are charged a flat fare that varies by ward. Tokyo's 23 wards are divided into 6 fare zones. Zones that are further away from the airport are charged at a higher flat rate than those close to the airport.

The flat fares are broadly consistent with a lower than average metered fare in each of the wards. However, taxis are an expensive form of transport between Narita airport and Tokyo costing between 15,000 and 24,000 Yen. Passengers can travel via train (N'EX) to the airport for between 2,940 and 4,500 Yen (ordinary class).⁴⁰

Miami

Passengers travelling between Miami International Airport and different zones in the Miami-Dade county area are charged at a flat rate. The Miami-Dade county is divided into 11 flat rate zones. Zones that are further away from the airport are charged at a higher rate than those close to the airport.

The flat fares are broadly consistent with 'average' or 'typical' metered fares in each of the zones. They range from \$10 US to \$52 US. Unlike New York and Tokyo the flat rates include tolls and airport/seaport surcharges.

Other modes of public transport for accessing the airport include the MetroBus (minimum fare \$2 US plus transfers if multiple buses are required).⁴¹

Rome

Passengers travelling between Rome's Fiumicino and Ciampina Airports and the city of Rome are charged flat rates. The taxi fare is 40 Euros between Fiumicino Airport and the city and 30 Euros between Ciampina Airport and the city. The flat fare only applies to journeys with their destination or origin within the Mura Aureliane (or Aurelian Walls) that bound the central area of the city.

⁴⁰ JR East, Fares and charges from/to Narita Airport, Airport Terminal 2 <<http://www.jreast.co.jp/e/nex/tickets.html> (Accessed 1 March 2010)>

⁴¹ Miami-Dade County Transport, Transit Connections to Miami International Airport <http://www.miamidade.gov/transit/rider_mia_faq.asp (Accessed 2 June 2010)>

6.3 Why we recommend that flat fares should not be introduced in Sydney

We identified several advantages and disadvantages of flat fares compared with the current metered fare that charges based on distance travelled and time taken. These affect passengers and drivers in different ways and are largely influenced by how the fare is set (for example the level at which the fare is set and how boundaries are defined). We found that the advantages of simplicity and certainty are outweighed by problems caused by flat fares not being cost reflective. Although we identified several ways of minimising the disadvantages, these measures tend to come at the expense of a more complicated system that is more difficult for passengers to understand.

The following sections explore these issues in more detail.

6.3.1 Advantages of flat fares

The main benefits of flat fares are simplicity and certainty. Passengers pay the same regardless of the route or time taken to complete the journey. This provides certainty for passengers, in particular those that are unfamiliar with the cost of the journey or the best route available (such as visitors and tourists). Flat fares also reduce the potential for passengers that are unfamiliar with the fare structure and the city to be exploited by drivers that take a less direct route.

These advantages are of greatest benefit to passengers when there is a need for greater certainty around the costs of transport. We examined the availability of transport options to the airport, the level of certainty around the costs of these options and the available evidence of passengers being overcharged (in particular, passengers that are more vulnerable such as tourists and visitors). We found that the airport is served by several modes of transport and that passengers can obtain information on the cost of these options, including indicative costs for taxi journeys. In addition we did not find any evidence of passengers being overcharged. The following sections explore these issues in more detail.

Availability and cost of transport options for accessing Sydney airport

People have several options available to get to and from the airport including taxis, private car, train and bus (Figure 6.1). Taxi trips are an important mode of travel for people accessing Sydney airport, accounting for 37% of all trips.⁴²

⁴² Includes passengers, airport employees and meters and greeters accessing the airport.

- ▼ fare set at an 'average' or 'typical' equivalent metered fare for the route (like in Miami and Tokyo).

As noted by ATDA, there are a wide range of fares depending on the time of day, route, traffic, tolls and vehicle type (standard taxi or maxi-taxi).⁵³ The range of potential metered fares for the Airport to Sydney CBD route is large with a typical journey from the Domestic Terminal costing between \$25 and \$43, and a typical journey to the International Terminal costing between \$35 and \$55.⁵⁴ (Table 6.1.)

As a result, while the first 2 options are relatively easy to identify for Sydney, setting an average or typical fare is more problematic. There is currently no information available on journeys on these routes which would make it difficult to accurately set such a fare given the variation in routes, time of day and directions.

If flat fares were set at the lower end of the fare range, most passengers would receive the benefit of a low fare at a low cost relative to an equivalent metered journey (in particular those passengers travelling to or from the northern end of the CBD zone). However, drivers would be worse off than under the metered rate for most journeys to or from the CBD. This could lead to supply issues with drivers being unwilling to make journeys to or from the CBD (particularly the northern areas) and the airport. This was a key concern raised in submissions.⁵⁵ NSW TDA also noted that this could lead to further conflict between passengers and drivers. For example, drivers are obliged to follow passenger directions and may be unwilling to do so if the passenger wishes to take a circuitous route.⁵⁶

If fares were set at the upper end of the fare range drivers would be better off than under the current metered fares. They would be fully compensated for the costs they could incur anywhere in the CBD zone but would be over-compensated for journeys to or from the southern end of the CBD zone such as Central. The NSW Taxi Council argued that a fare at the upper end of the range would ensure that high levels availability and service to the airport are maintained.⁵⁷ However, the Taxi Council also noted that setting fares at the upper end of the fare range would make taxis less cost competitive with other forms of transport.⁵⁸

Passengers will be required to pay a premium for the benefit of a fixed fare. While some passengers may be willing to pay a premium for the simplicity, certainty and convenience of a flat fare, some may not. The availability of a train service between the airport and the CBD at a fixed cost means that passengers can decide on their mode of transport after considering factors such as cost and convenience. Furthermore, NSW TDA noted that a fare set at the upper end of the range would

⁵³ ATDA submission, 20 April 2010, p 5.

⁵⁴ Journeys to the International Terminal are longer than the Domestic Terminal and so incur a higher fare.

⁵⁵ NSW Taxi Council submission, 30 April 2010, p8; NSW TDA submission, 24 March 2010, p 3; Sydney Airport Corporation submission, 27 April 2010, p 2.

⁵⁶ NSW TDA submission, 24 March 2010, p 3.

⁵⁷ NSW Taxi Council submission, 30 April 2010, p 5 and comments at public hearing, p 27.

⁵⁸ NSW Taxi Council submission, 30 April 2010, p 7.

expose the industry to undercutting by competing transport modes that would affect taxi's market share.⁵⁹ They also noted that it would be unfair to many passengers travelling, particularly those travelling on cheaper off-peak air tickets (metered taxi fares would tend to be lower at these times of day).

We note that fares set at an upper level could also have an impact on the supply of taxis in and around the CBD. For example, if the flat fare was set at \$45, a passenger travelling from Central Station to Domestic Terminal would be charged this amount. However a passenger travelling from Foveaux Street in Surry Hills (approximately 200m from Central Station), and so charged at the metered rate, would pay between \$16 and \$31. In this case, drivers would prefer the flat fare and so may be less willing to take journeys from these types of areas just outside the CBD zone.

If fares were set at an average or typical level, theoretically drivers would be no better or worse off on average (assuming the make up of trips stayed the same). However, they would be worse off for individual journeys longer than the 'average' level and better off for individual journeys shorter than the 'average'. This could result in drivers being less willing to make journeys from areas of the CBD that are longer than the average.

Difficulties establishing clear boundaries for the CBD zone

The Sydney CBD runs from Central Station in the south to Circular Quay in the north. It is generally accepted to be bounded by Woolloomooloo in the east and the Western Distributor in the west and includes Haymarket, Chinatown, Wynyard, Martin Place and the Rocks.

While the Sydney CBD has a clear boundary in the north and west, it is less clearly defined in the south and east. Difficulties in clearly defining the boundaries in a way that is obvious for passengers that are unfamiliar with Sydney can reduce the simplicity and certainty of a flat fare and even create more confusion for passengers than the current metered fare.

NSW Taxi Council noted that a flat fare zone in the CBD would create inconsistency and confusion for passengers and drivers for journeys at or near the boundaries of a defined zone. It also noted that there may be confusion between a flat fare zone (that would need to be defined under the Passenger Transport Regulation) and the "Central Sydney Taxi Zone" currently defined in NSW Road Rules.⁶⁰

⁵⁹ NSWTD submission, 29 April 2010, p 18.

⁶⁰ NSW Taxi Council submission, 30 April 2010, p 7.

6.3.3 Measures for minimising the disadvantages of flat fares

We have identified several measures available for minimising the disadvantages associated with a flat fare. These include:

- ▼ excluding tolls
- ▼ breaking the Sydney CBD into several zones
- ▼ applying the flat fare only at certain times of the day
- ▼ making the flat fare optional so that passengers can choose whether to pay via the meter or not.

We found that while these measures can be successful in minimising the disadvantages of flat fares, they tend to come at the cost of a more complicated system and as a result, would erode the benefits of a having flat fares in place.

Excluding tolls

Excluding tolls is one way of making a flat fare more cost reflective. For example, excluding tolls to and from the Domestic Terminal results in a smaller range of potential fares making it easier to set a flat fare that is closer to the costs associated with the journey. Passengers would be charged a flat fare that excludes tolls unless they are incurred such as the Eastern Distributor and the airport access charge.

Unfortunately, excluding tolls makes the application of the flat fare more complicated. Passengers that are unfamiliar with the system and the possible routes available may find it confusing as they may be required to pay more than the flat fare. In particular, the airport access charge would also mean that there would be different flat fares for the same route when taken in different directions.

NSW Taxi Council argued that either case is problematic. It argued that these additional fees either need to be included in the flat fare and compromise cost, competitiveness and equity, or made additional to the fare and compromise simplicity.⁶¹

Breaking the Sydney CBD into more than one zone

A zonal framework allows flat fares to be set at a more cost reflective level by breaking the CBD zone into several areas with different flat fares for each area. We note that a zonal framework is applied in Tokyo and Miami, although these zones operate over a larger area than the Sydney CBD.

⁶¹ NSW Taxi Council submission, 30 April 2010, p 10.

A zonal framework still provides some certainty to passengers. However, as noted by the NSW Taxi Council, creating more than one zone introduces more complexity for passengers and drivers.⁶² For example:

- ▼ Visitors to Sydney would require assistance to work out which fare applies to their journey. In the case of Miami, a website provides city maps and fare tables to allow passengers to inform themselves ahead of travel.
- ▼ Different arrangements would be required at the airport. For example in Tokyo, passengers are directed to different queues at the airport depending on which zone they are going to.
- ▼ It introduces an additional disadvantage of defining boundaries between zones and creates extra boundary effects, especially where fares vary significantly between the zones.

Making the flat fare optional

Making the flat fare optional is another way of addressing potential drawbacks such as the lack of cost-reflectivity and difficulties associated with defining geographical boundaries. An optional fare would allow the passenger to opt out of the flat fare should they choose (for example if they considered the metered fare to be lower than the flat fare).

However, we consider that an optional system also has drawbacks. NSW Taxi Council noted that an optional flat fare would add further complexity for visitors, compromising the simplicity of the fare.⁶³ Sydney Airport Corporation also noted that any confusion at the taxi ranks at the airport can lead to delays and inconvenience for passengers.⁶⁴ We consider that the additional complexity of an optional flat fare may actually lead to delays and inconvenience for passengers at the taxi ranks at the airport.

In addition, we note that this framework would unfairly disadvantage drivers should passengers continually choose the fare option that minimises the driver's takings.

Applying the flat fare only at certain times of the day

We also considered the option of applying a flat fare at certain times of the day only, for example during the AM peak period. By implementing a flat fare at certain times of the day such as this peak time, the flat fare framework has the potential to capture the bulk of airport transfers while allowing metered fares at non-peak times. The flat fare could be set at a level that more closely reflects the travel time and preferred routes at this time of the day.

⁶² NSW Taxi Council submission, 30 April 2010, p 8.

⁶³ NSW Taxi Council submission, 30 April 2010, p 10.

⁶⁴ Sydney Airport Corporation submission, 27 April 2010, p 3.

However, a flat fare that applies only at certain times of the day is likely to be more difficult for passengers to understand than the current fare structure. The NSW Taxi Council noted that different flat fares at different times of the day would increase complexity.⁶⁵ Passengers would need to be familiar with the times when the flat fare applies which may be more difficult for those that are unfamiliar with the city (such as tourists). In addition, drivers may be unwilling to take journeys to and from the airport during periods of the day when the flat fare applies, which will ultimately disadvantage passengers.

⁶⁵ NSW Taxi Council submission, 30 April 2010, p 10.

7 Measures for dealing with fuel price volatility

We initially included additional measures to address LPG price volatility in 2008, after receiving a request to consider this issue from the Minister, who wrote to us in response to concerns raised by taxi drivers. We introduced mid-year reviews of LPG prices, to be done each December. Under these reviews we recommend a mid-year change to maximum taxi fares if LPG prices are found to have changed significantly (10% or more) in the 6 months since the most recent annual fare review.

As part of this year's review we reconsidered the need for continuing to include a special measure to address LPG price volatility and if required, what such a measure should look like.

7.1 Findings on measures for dealing with LPG price volatility

We have decided to retain mid-year reviews of LPG prices but to raise the threshold so that a mid-year fare change is recommended only when LPG prices in the 6 months since the annual fare review have changed by more than 20%, rather than the current threshold of 10%. In our view this retains the intent of the mechanism without imposing the costs of a meter change on the industry for small fare changes.

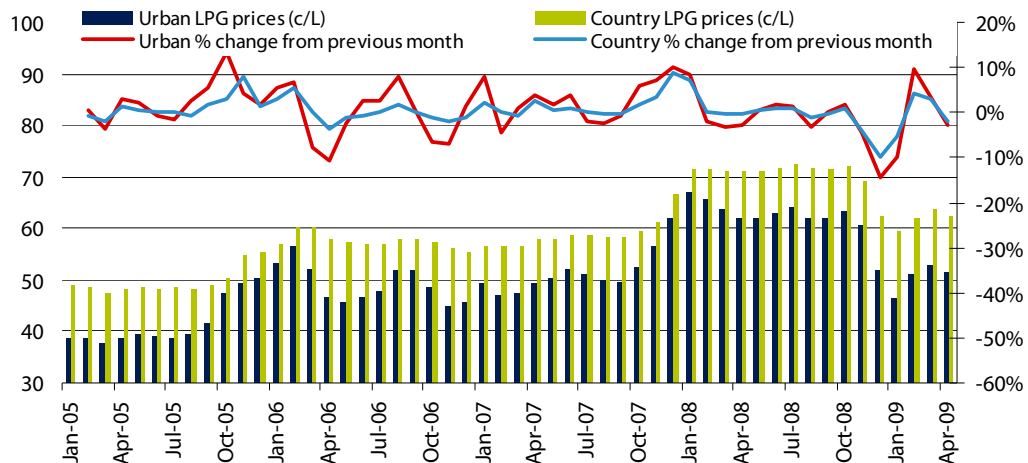
We will not make any other changes to the mid-year review process at this stage. However, this is an issue that we would like to consider in future reviews if there is support for taking an alternative approach. Appendix G outlines some additional options that we believe would be worth exploring.

7.2 Why we consider additional measures are needed

We have now completed 2 mid-year LPG reviews and as a result, have made two recommendations to change taxi fares – one fare increase and one fare reduction. On both occasions LPG prices had changed only slightly more than 10% and the Director General of NSWTI decided that no fare change should be made. In response to our 2009 mid-year review, the Director General asked us to reconsider whether mid-year reviews are warranted.

Unlike most other cost items, LPG prices are characterised by a longer term price cycle and a significant degree of short term volatility (Figure 7.1). Both these sources of volatility are potential issues for urban drivers and country operators who must pay for LPG out of the fares they collect.

Figure 7.1 Monthly LPG prices



Data source: FUELtrac.

If taxi fares were not regulated, the industry would be able to respond to changes in input prices by changing their fares to ensure that they can continue to run viable businesses. Where maximum fares are regulated and can be changed only once a year, the industry is unable to respond in this way. This means that they need to manage input cost changes that occur during the year through their cashflow. When we examined this issue in 2008 we found that LPG was such a significant part of drivers' costs that high volatility in LPG prices through the year could have a considerable impact on their cashflow.⁶⁶

Despite there being no immediate concerns regarding LPG prices, stakeholders generally support the need for something to be done to assist the industry in times of 'exceptional circumstances'.⁶⁷ NSWTD submitted that drivers look to IPART for protection against rising fuel prices and as such, fares should be adjusted as soon as possible in response to rising prices.⁶⁸ The NSW Tax Council agreed in principle that it is desirable to pass on the costs or savings of fuel price changes, but felt that generally it is not practical to do so.⁶⁹

⁶⁶ IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008, p 92.

⁶⁷ See for example, NSWTD comments at Public Hearing, 12 April 2010, Transcript column 40.

⁶⁸ NSWTD submission, April 2010, p 19.

⁶⁹ NSW Tax Council submission, April 2010, p 10.

Although the rapid increase and sustained high LPG prices apparent in 2008 have not been repeated, we still consider that the underlying reasons for putting in place the mid-year fare review remain. As there is continued support for some measure for dealing with large LPG price changes we are of the view that we should continue to incorporate additional measures to deal with this issue.

7.3 Why we decided to retain a mid-year review approach

While submissions generally supported some means of dealing with substantial and sustained LPG price increases they raised a number of issues with the current process.⁷⁰ There was no industry support for a mechanism that would reduce fares in times of LPG price reductions or for measures that would lead to meter changes for small value amounts. There was no agreement amongst submissions on what would constitute a sufficient increase in LPG prices to warrant a meter change.

Having considered these issues, we remain of the view that if measures are required to address this issue then a mid-year review is the most appropriate method. However, we consider that the current 10% threshold is too low and that this figure should be raised to 20% to better reflect exceptional LPG price changes.

In coming to our decision, we considered:

- ▼ Alternatives to the current mid-year review process.
- ▼ Whether it remains appropriate to include price reductions.
- ▼ Recovery of meter change costs.
- ▼ What change in prices is sufficient to warrant an additional fare change.

7.3.1 Alternatives to the mid-year review process

Two alternatives were put forward for our consideration by stakeholders:

- ▼ adjusting fares via an off-meter levy whenever fuel prices have changed substantially from what is included in fares (NSWTDA)⁷¹
- ▼ using more recent cost data in annual fare reviews with a subsequent adjustment at the next fare review, if necessary (ATDA).⁷²

⁷⁰ For example, NSW Taxi Council submission, 30 April 2010, p10; NSWTDA submission, 29 April 2010, p 19; and individual submission (T Hirsch), 30 April 2010, p 17.

⁷¹ NSWTDA submission, 29 April 2010, p 19.

⁷² ATDA submission, 20 April 2010, p 4.

Fuel levy that operates off-meter and is updated regularly

NSWTDA considers that fares should be adjusted whenever LPG prices rise by more than 10% and that this should be done via a levy to be added on top of fares, rather than through changes to the metered charges.⁷³ The main benefit of this approach is that it avoids the costs associated with meter changes and allows the extra charge to be updated whenever fuel prices have risen significantly.

This suggestion is along the same lines as the fuel levy we previously considered.⁷⁴ It also suffers from the same disadvantages, including that it:

- ▼ is confusing for passengers to be asked to pay an off-meter charge
- ▼ will be hard to enforce correct charging when passengers can't rely on the meter
- ▼ may be difficult to remove once it is in place and passengers are used to paying it
- ▼ is not symmetrical, so doesn't benefit passengers if LPG prices fall.

There is also a cost associated with constantly monitoring LPG prices throughout the course of the year in order to determine whether they have changed significantly, which we are not convinced is justified. In addition, regular changes to fares are confusing for passengers and create uncertainty regarding the cost of taxis.

We consider that the potential for misunderstandings and incorrect use is too great to justify support for this option. We are of the view that all charges should be put through the meter so that passengers know they are paying only the regulated fare. Where this is not possible, only verifiable additional charges (like road tolls) should apply off-meter.

Use of more recent cost data in TCI calculations

The Taxi Cost Index approach for calculating fare increases compensates drivers and operators for the costs they experienced over the past year (including actual fuel prices). However, this does not occur until the annual fare change in July. The ATDA argued that it would be 'more equitable to base fares on current costs for this item'.⁷⁵ The ATDA suggested that IPART could make a forward estimate of the likely price over the next period and then make corrections to this figure if necessary.⁷⁶

The compensation built into fares does lag the actual costs incurred. NSWTD submitted that this is not appropriate as the taxi drivers being compensated for past costs may not be the same group of drivers as incurred those costs.⁷⁷ However, this is an inherent feature of the cost index approach, and is true for all cost items. We

⁷³ NSWTD submission, 29 April 2010, pp 19-20.

⁷⁴ IPART, *2008 Review of Taxi Fares in NSW, Final Report and Recommendations*, June 2008, pp 94-95.

⁷⁵ ATDA submission, 20 April 2010, p 3.

⁷⁶ ATDA submission, 20 April 2010, p 3.

⁷⁷ NSWTD submission, 29 April 2010, p 19.

last reconsidered our approach to regulating taxi fares in 2006 and decided to retain the cost index approach based on a modified version of the TCI that was already in place. In our view, the industry structure lends itself to this approach – a similar cost index is also used elsewhere in Australia.

However, given the particular characteristics of LPG prices compared with the other cost items, we accept that there may be a case for treating them differently. One way of treating LPG prices differently would be to incorporate estimates or recent prices into annual fare adjustments and to make a subsequent adjustment at the next annual fare review rather than continuing to use actual yearly costs in the TCI (see Appendix G for a preliminary discussion of some examples). At this stage we have not undertaken a full analysis of these options but will do so if there is support for this from stakeholders.

7.3.2 Is it appropriate to include fare reductions

As a general principle, we consider that wherever possible mechanisms that are put in place to assist the industry to deal with unanticipated cost increases through the year should also benefit passengers when costs fall. In our view, not to contemplate fare reductions in times where LPG prices are significantly below those included in fares is unreasonable.

The Taxi Council argued that a measure that reduces fares is impractical; specifically that it is difficult to enforce fare reductions as the industry has no incentive to adjust their meters to lower taxi charges.⁷⁸ These issues were raised by the Taxi Council in the 2008 review and we considered them carefully at the time of making our original decision, where we noted that:⁷⁹

- ▼ Clause 111 (1) states ‘The operator of a taxi-cab must not allow the taxi-cab to be driven unless the taxi-cab is fitted with a taxi-meter that complies with the standards for taxi-meters set out in Schedule 2. ‘Clause 9 (3) to Schedule 2 of the Passenger Transport Regulation 2007 states that ‘The meter must not, at any time, compute or display a fare that exceeds the authorised fare’. A maximum penalty of 10 penalty units (\$1,100) may apply.
- ▼ The majority of cabs in urban areas have meters that are updated electronically. For these meters, updates are done instantly and the entire fleet of cabs that have these meters are done via a single update sent out from base. For the remaining cabs, their mechanical meters are updated manually. All cabs with mechanical meters are generally required to attend a meter calibration (carried out by the meter manufacturer, who is accredited to do the adjustment). This generally occurs within one and a half days of the fare change.
- ▼ Meters are inspected on a quarterly basis for each cab in the Sydney metropolitan area. Inspections are done throughout the year. This inspection is required for

⁷⁸ NSW Taxi Council submission, 30 April 2010, p 11.

⁷⁹ IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008, p 98.

both electronic meters and mechanical meters. For meters changed electronically, any failure to implement a fare reduction across the fleet would be identified within one or 2 days from the fare change date as cabs with those meters come in for inspection. For manual adjustments, individual cabs would be picked up as part of the quarterly inspection.

- ▼ In addition to the quarterly inspections, the Ministry of Transport has compliance officers that randomly inspect taxis to ensure that they are charging the correct fares, among other things. These officers should be asked to specifically look for cabs that have not had their meters updated if a fare reduction is required.

Given these arrangements, we are still of the view that adequate enforcement measures are in place to ensure that meters are updated to reflect the Director General's decisions on maximum fares and that any additional measures that are included should also benefit passengers in times of significant reductions in LPG prices.

7.3.3 Issues relating to cost recovery of meter changes

The current mid-year review mechanism includes an extra 3 cents on the average fare to compensate the industry for the cost of making an additional meter change. The Taxi Council's comments at the public hearing address the practical issue of operators being able to recover this cost from drivers by varying the pay-in charged.

Pay-ins are determined by the market and tend to be below (rather than at) the maximum set by the IRC. This means that in theory, operators are able to raise the pay-in to recover the meter change costs. However, in practice their ability may be constrained by other factors like supply and demand for drivers, which among other things depends on the other costs involved in driving a taxi (including LPG prices) and the level of fares.

When we introduced the mid-year review, and made an allowance for the cost of an additional meter change in any resulting fare recommendation, we noted that our estimate of \$145 for the additional meter change was a conservative estimate of the costs of a meter change given that NSWTI has advised that most taxis have electronic meters that can be adjusted at low cost and that the proportion of taxis with these meters is rising.⁸⁰

While we have allowed an additional 3 cents on the average fare to cover the costs of the additional meter change, it is not possible to say whether in practice, operators would be able to recover this amount from drivers. However, as the cost of the meter change is relatively small compared with the impact of significant changes in LPG prices and there is at least some scope for operators to negotiate shift pay-ins with drivers, we do not consider that this issue is sufficient to prevent us from putting measures in place to address significant LPG price fluctuations.

⁸⁰ IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008, p 99.

7.3.4 What constitutes a significant change in LPG prices

There is a need to balance the protection afforded by the mechanism with the cost of making an additional meter change. The 2 decisions by the Director General of NSWTTI not to implement fare change recommendations that resulted from LPG price changes of just over 10% suggest that the current threshold is too low.

In its submission, NSWTTDA supported retaining the 10% threshold for increases 'when and as they occur' but also argued that the appropriate means of increasing fares is through an off-meter charge rather than through a meter change (see section 7.3.1).⁸¹ At the public hearing, both the NSWTTDA and the NSW Taxi Council felt that meter changes resulting from a 10% change in LPG prices are not worth making and showed support for the Director General's decisions not to accept our recommendations from the past 2 mid-year reviews.⁸² The NSWTTDA noted that:

... we certainly do not want to endure the service cost and the downtime of meter changes, especially over piddling variations. The time off the road hurts the driver. The time off the road hurts the operator. The cost of the meter change hurts the operator.⁸³

The NSW Taxi Council argued for a significant increase in the threshold, noting again that there are significant costs associated with additional fare changes that do not justify making small changes to fares or fare reductions.⁸⁴ The Taxi Council suggested that a figure of 25% would be more appropriate, which would equate to an increase on the average fare of around 2%.⁸⁵

Having reviewed the additional costs to drivers and the impact on fares of a number of different thresholds we consider that a 20% threshold should be adopted. A 20% threshold equates to a change in the average fare of around 1.5% (see Table 7.1). In our view, these circumstances are more consistent with the sorts of exceptional circumstances that stakeholders requested than the original 10% threshold, which equates to a change of less than 1% to the average fare. Under these circumstances, we also consider the resulting fare reduction from a 20% fall in LPG prices would be significant enough to require the industry to pass on the reduction in costs to passengers.

⁸¹ NSWTTDA submission, 29 April 2010, p 19.

⁸² NSW Taxi Council, Public Hearing, 12 April 2010, Transcript column 39 and NSWTTDA, Public Hearing 12 April 2010, Transcript column 40.

⁸³ NSWTTDA, Public Hearing, 12 April 2010, Transcript column 40.

⁸⁴ NSW Taxi Council, Public Hearing, 12 April 2010, Transcript column 39.

⁸⁵ NSW Taxi Council submission, 30 April 2010, p11.

Table 7.1 Impact of different changes in LPG prices on urban driver costs and fares

% change in LPG prices ^a	Extra cost to drivers per week (\$)	Extra fare needed per paid trip to cover costs (\$)	Extra fare per paid trip (inc cost of meter change)	% change on average fare
10%	30.38	0.16	0.19	0.9%
15%	45.57	0.24	0.27	1.2%
20%	60.75	0.32	0.35	1.6%
25%	75.94	0.40	0.43	2.0%
30%	91.13	0.48	0.51	2.3%
-30%	-91.13	-0.48	-0.45	-2.1%
-25%	-75.94	-0.40	-0.37	-1.7%
-20%	-60.75	-0.32	-0.29	-1.3%
-15%	-45.57	-0.24	-0.21	-1.0%
-10%	-30.38	-0.16	-0.13	-0.6%

Note: Deviation in LPG prices compared with the LPG price of 60.8 cents per litre currently included in the TCI as the average price for the 11 months to 30 April 2009.

The historical data we obtained from FUELtrac suggests that variations of up to 20% over a 6 month period are likely to be part of the normal price cycle. As such, setting the threshold at this level appears to be consistent with capturing only exceptional circumstance events. Based on September quarter data, a 10% threshold would have been triggered twice out of 3 mid-year reviews since 2005, a 15% threshold once (urban only) and a 20% threshold or higher, not at all.⁸⁶(Table 7.2.)

⁸⁶ Note that these figures do not exactly match the outcome of the mid-year reviews, as we have used the 6 months since the last price included in the TCI, not always the 6 months to 30 September.

Table 7.2 Number of times fare change would have been triggered since 2005

	Actual % change ^a	Threshold 10%	Threshold 15%	Threshold 20%
Urban				
Sep-05	3%	no	no	no
Sep-06	6%	no	no	no
Sep-07	6%	no	no	no
Sep-08	13%	yes	no	no
Sep-09	-17%	yes	yes	no
Times threshold met		2	1	0
Country				
Sep-05	0%	no	no	no
Sep-06	10%	no	no	no
Sep-07	2%	no	no	no
Sep-08	15%	yes	no	no
Sep-09	-13%	yes	no	no
Times threshold met		2	0	0

^a Based on the average price for the 6 months to 30 September divided by the average price for the 12 months to 31 March.

Source: FUELtrac.



Appendices

A Terms of Reference

INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 TAXI INDUSTRY FARE REVIEW

I, Nathan Rees, Premier, pursuant to Section 9(2) of the *Independent Pricing and Regulatory Tribunal Act 1992*, approve the Independent Pricing and Regulatory Tribunal entering into an arrangement with the Ministry of Transport for a period of one year from the date hereof to provide services to the Ministry 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, fares for taxi services regulated under the *Passenger Transport Act 1990*.

In providing these services, the Tribunal should consider:

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

The services to be provided by the Tribunal will include a public consultation process through which the Tribunal will invite submissions from the NSW Taxi Council, taxi industry participants, and other stakeholder groups including the general community.

The services are to be provided through the provision of a final report to the Ministry of Transport by 30 June 2010.

The Hon Nathan Rees MP
Premier

Dated at Sydney... 8/9 2009

B List of submissions and public hearing participants

Table B.1 Speakers at the public hearing held on 12 April 2010

Organisation represented	Speaker
Australian Taxi Drivers' Association	Michael Jools
NSW Taxi Council	Peter Ramshaw
NSW Taxi Drivers' Association	Ernie Mollenhauer, Jeff Coates
NSW Transport and Infrastructure	Dominique Winn
Physical Disability Council of NSW	Jordana Goodman
Individual	Ted Hirsch

Table B.2 List of submissions received (due 30 April 2010)

Submitter	Date received
Australian Taxi Drivers' Association	20 April 2010
Individual (anonymous)	12 April 2010
Individual (F Ahmed) ^a	11 April 2010
Individual (G Hoskin)	30 April 2010
Individual (T Hirsch)	30 April 2010
NSW Taxi Council	30 April 2010
NSW Taxi Drivers' Association	24 March 2010
NSW Taxi Drivers' Association	29 April 2010
Physical Disability Council of NSW	30 April 2010
Sydney Airport Corporation	27 April 2010
Tourism and Transport Forum	28 April 2010

^a Submission not publicly available

C Issues raised that are outside the scope of the review

Issue raised	Response
Assumptions regarding hours of operation are understated (NSWTDA).	There is a broad range of estimates available for these items and for most items we considered the whole range of estimates in our 2008 review.
Number of paid trips per taxi has not been sourced (ATDA)	The 2007 PricewaterhouseCoopers (PwC) survey asked drivers to report shift information and used the median survey result (9 hours per shift) in making its recommendations - in 2008, we accepted the survey result on this issue as the best and most reliable estimate available.
Assumptions regarding number of drivers per taxi and number of taxis per operator are flawed (ATDA)	In 2008, we considered a range of estimates from all available sources and decided that 19 paid trips per shift was a reasonable estimate to use, it is not based on a single data source – but we note that this value is consistent with ATDA’s 2008 submission. Assumptions on number of drivers per taxi and number of taxis per operator also come from the PwC survey.
IPART’s refusal to undertake a full review of the TCI every year is not consistent with its terms of reference (T Hirsch)	We indicated in our 2008 draft and final reports that the aim of the 2008 review was to establish a TCI that could be indexed each year without significant annual revision. We clearly indicated during and at the conclusion of this process that the TCI we established would be used for the next 4 years (for example, see <i>2008 Review of Taxi Fares in NSW — Final Report and Recommendations</i> , June 2008, p 10). We choose this approach because in our view it is the most appropriate means of fulfilling our statutory duties. In making our recommendations we consider all the factors required by our terms of reference for the review.
IPART cannot rely on the PwC survey for any aspect of the TCI because it has selectively questioned some of the results, which throws the whole survey into doubt (T Hirsch)	In recent years we have undertaken a comprehensive review of the costs, cost weightings and inflators in the TCI. In deciding on the current TCI weightings, we relied heavily on an industry wide survey of costs undertaken by PwC, which was sent to every operator and driver in NSW and provided an unprecedented amount of cost and operational information on which to base the TCI. In coming to our decision on the costs and weightings in the TCI we considered all submissions and information available. In some cases, this led us to use a figure different from that suggested by the PwC survey. In many other cases, we felt that the PwC survey was the most reliable information. We do not accept the view that

Issue raised	Response
	we have selectively used PwC survey data nor that the PwC survey results can or should be ignored.
<p>Notional driver wage should be higher (ATDA, NSWTD). IPART has ignored PwC recommendations and ignored other stakeholder comments on this issue and used an obscure rate from the Taxi Council (T Hirsch) IPART has failed to adequately explain why the skills of taxi drivers are worth less than the skills of bus drivers (T Hirsch) The use of the IRC figure brings into question IPART's independence (T Hirsch)</p>	<p>We do 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, we include a notional hourly wage in the TCI. In 2008, we 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. IPART and the IRC are independent bodies with different roles and objectives. We have taken into account the terms of the current IRC Contract Determination as it is a relevant piece of information for the review. In coming to our decision we considered all available information, including the PwC recommendations and the views put forward in submissions. We note that the TCI includes a notional hourly wage rate of \$17.54 (2008) for taxi drivers – this is above the wage rate included for taxi drivers under the IRC's new modern award.</p>
<p>Superannuation should be included as a driver labour cost (ATDA, T Hirsch, T Denton) IPART should direct the IRC to include superannuation in the contract determination or otherwise ensure that drivers receive it (T Hirsch, T Denton).</p>	<p>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: ▼ 9% for super ▼ 15% for leave entitlements. IPART cannot direct the IRC or any other body to impose any obligation on operators to pay superannuation but we have clearly stated that we believe that no one off adjustment to fares is required to fund a superannuation entitlement.</p>
<p>Fuel consumption has not been adequately considered – the km per litre rate assumed by IPART is too low and reflects a 'highway' rate (ATDA).</p>	<p>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, we accepted PwC's recommendation on fuel consumption as the best available measure.</p>
<p>TCI needs to be rebalanced to increase driver costs and reduce operator costs – the TCI has an anti-driver bias (ATDA, NSWTD, T Hirsch).</p>	<p>The current costs and weightings in the TCI are largely based on the results of the 2007 PwC survey in which: ▼ all drivers and operators in NSW were asked to participate ▼ 83% of survey responses were from drivers. ATDA and NSWTD were consulted in developing the survey.</p>

Issue raised	Response
<p>IPART ignores the fact that pay-ins in the market are below the IRC maximum (T Hirsch).</p> <p>Current market pay-ins to operators are lower than operator costs in the TCI suggesting that operator costs are too high (T Hirsch).</p> <p>Operators cannot make enough through their pay-ins to cover their costs and must supplement their income from other sources (NSWTDA, ATDA)</p>	<p>The 2007 PwC survey reported that pay-ins are often reduced in return for drivers foregoing their leave entitlements.</p> <p>In 2008, we 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:</p> <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>NSWTDA and ATDA comments on operator viability suggest that the market pay-in is not a good proxy for operator costs and as a result, no reliable conclusions can be reached from comparing these 2 figures.</p>
<p>IPART leaves out the cost of bailment as a driver cost and an operator source of revenue – this is reprehensible (ATDA)</p>	<p>It is necessary for the TCI to be based on the underlying cost structure of the industry. It would not be appropriate to include the cost of bailment (either IRC maximum or market pay-ins) as representative of operator costs. The bailment arrangements are a means of distributing taxi revenue between drivers and operators and are not relevant to the TCI calculation.</p>
<p>IPART has an inadequate database of industry information (T Hirsch)</p> <p>IPART should consider relying on information from 'knowledgeable and experienced' stakeholders in the meantime and abandon selective reliance on the PwC survey (T Hirsch)</p> <p>There is no official measure of taxi trips/demand for taxis (ATDA)</p>	<p>We are keen to obtain more information on costs and revenue within the industry. This is particularly important for areas in which the PwC survey delivered less reliable results (for example, the level of fare revenue indicated by the PwC survey was significantly below that put to us by other stakeholders).</p> <p>We need comprehensive, verifiable and independent data for our fare reviews. It is not appropriate for us to rely on the assertions of any particular stakeholder, as this information may not be applicable to the broader NSW taxi industry.</p>
<p>Evidence is available from all taxi networks which log in every taxi for every hour and every shift worked – IPART could readily collect this information to adjust the TCI assumptions (T Hirsch)</p> <p>This information is available from networks or from NSWTI's new taxi industry database – it is unbelievable that IPART does not have access to it (T Hirsch)</p>	<p>IPART has no statutory information gathering powers in relation to taxis – we cannot force any organisation to provide us with data for our review.</p> <p>We are currently investigating what data we will be able to obtain voluntarily. However, it is important to remember that any data obtained from networks would relate to booked trips only and would not be applicable to all taxi trips in NSW. There is no organisation that actively collects meter data (although we understand that some data is collected on a voluntary basis), which would be the most comprehensive source of information and would relate to all taxi trips.</p> <p>As part of the restructure of Government agencies there will be a new body set up called the Bureau of Transport Statistics. However, NSWTI has advised that the specific role of this body in relation to taxis has not been determined. No information is available on the expected timing of the new body or exactly what</p>

C Issues raised that are outside the scope of the review

Issue raised	Response
Converting the index to percentages and not including the dollar values is statistically unsound (ATDA)	<p>data might be available.</p> <p>Only the weightings (%) and inflators (%) are required for the index calculation and for calculating the increase in costs faced by drivers and operators. Dollar values are only necessary to calculate the weightings following a comprehensive reweighting exercise. Nevertheless, we accept that there is interest in the dollar values that underlie our calculations. As such, we have included the dollar values that are used to develop the weightings that will be used as the starting point for next year's review (Appendix E).</p>
IPART reports are too long and technical and should be substantially improved immediately (T Hirsch)	<p>We always try to present the information in our reports in a simple and readable format. However, we have to include enough information in our reports for stakeholders to see what we have done.</p>
There is no profit margin included for the operator – it is hidden in operator salary equivalent (ATDA)	<p>We considered this issue in its 2008 review. We are of the view that this can only be explored as part of a comprehensive review and we intend to look at this issue further as part of the next reweighting process.</p>
Drivers wages should increase in line with the cost of living (NSWTDA)	<p>The drivers' wages item in the TCI is inflated using WPI, which measures the general rise in wages in the economy (ensuring that the notional wage keeps pace with wage growth in alternative jobs).</p> <p>Typically the WPI is above the rise in the cost of living measured by CPI, and this has been the case since 2008.</p>
Driver entitlements in the contract determination are included in the TCI but not paid by operators – they should be removed from operator costs so that the TCI reflects reality (T Hirsch)	<p>IPART has no role in enforcing the contract determination.</p> <p>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.</p> <p>In 2008, we decided that entitlements should be included in the TCI for all drivers at a rate of 15% of notional wages – irrespective of whether operators pay drivers these entitlements or not.</p> <p>It is important that fares are sufficient to cover a reasonable level of earnings for all taxi drivers irrespective of their industrial/employment status. In order to ensure that this is the case, a "notional" rate of pay and entitlements based on a reasonable rate of earnings must be included for all hours for which a typical taxi is driven.</p> <p>A portion of entitlements are included as an operator cost because operators are legally obliged to pay these entitlements to drivers under the IRC Contract Determination – it is not IPART's role to enforce the Contract Determination.</p>
IPART has deliberately disregarded major	<p>We believe that we have considered all issues raised by</p>

Issue raised	Response
submissions (T Hirsch)	<p>stakeholders and that this is well documented in our reports.</p> <p>However, we accept that we have not always agreed with the position put forward by stakeholders.</p>
<p>Fares should include compensation for fleet dilution – ie. compensation through fares should be equal to % rise in number of taxis on the road (NSWTDA)</p>	<p>100 new licences are being slowly released in the first half of 2010, 167 additional new licences will be issued in 2010/11.</p> <p>In our view, the relationship between earnings and the number of taxis is not straightforward to predict.</p> <p>Higher fleet numbers would not necessarily reduce earnings per taxi. For example:</p> <ul style="list-style-type: none"> ▼ If new fleet is in response to unfilled demand or creates new demand then earnings per vehicle may be maintained or improved. ▼ If there is an excess of licences then lease fees (and hence costs of supply) may reduce, maintaining net earnings. ▼ If there is a shortage of drivers market pay-ins may adjust to maintain driver supply, which would maintain net earnings for drivers (impact on operators depends on lease costs). <p>This issue will need to be considered as part of the next major review –at which time IPART will consider whether changes to the TCI costs and/or fares are required.</p>
<p>IPART should regulate network fees (NSWTDA)</p> <p>Networks should be held accountable for their fees and what they cover (ATDA)</p>	<p>IPART cannot choose to regulate network fees – we have no general mandate to regulate where we see fit.</p> <p>We would require a terms of reference from the NSW Government or a change in legislation in order to regulate network fees.</p> <p>We asked every network that provided information to us for permission to publish their fees in our final report but the vast majority of networks refused on the grounds that their fees are confidential.</p>
<p>IPART has deliberately allowed TCI costs to be distorted and inflated (T Hirsch)</p>	<p>IPART’s decision on costs in the TCI are largely based on the 2007 PwC survey of costs in the industry, supplemented by evidence from stakeholders – we believe this is the most reliable information currently available.</p> <p>We are aware that some costs within the TCI are unregulated and we have previously expressed concerns regarding their efficiency – however, we need to set fares at a level that covers costs that are outside the control of drivers and operators because if we did not, drivers and operators would not be able to continue to provide taxi services.</p>
<p>IPART has not addressed the huge ‘on-costs’ in taxi leases</p>	<p>We try to ensure that fares are sufficient to allow drivers and operators to recover their costs. Where they do not have control</p>

Issue raised	Response
and as a result has allowed costs to be above market levels eg. plate lease costs (T Hirsch)	<p>over these costs (for example, plate lease costs), including a lower value for these costs in fares would simply result in lower earnings for drivers and operators</p> <p>We are aware of recent changes to the licensing framework. We agree in principle that any reductions in lease costs that ensue from these changes should be passed through to passengers in lower fares.</p>
IPART's refusal to look at electronic payment surcharge is in disregard of its Terms of Reference (T Hirsch)	<p>IPART cannot choose to regulate the surcharge for electronic payments – we have no general mandate to regulate where we see fit and this charge is outside the scope of our Terms of Reference. We would require a Reference from the NSW Government or a change in legislation in order to regulate these charges.</p> <p>Section 60 of the PTA allows the Director General of NSWTI to determine fares in connection with taxi cab services – this does not include related services like credit card charges. We note that the Select Committee on the NSW Taxi Industry has made recommendations in relation to this issue.</p>
IPART should 'penalise' networks and NSWTI with a productivity adjustment not drivers and operators (T Hirsch)	<p>IPART cannot choose to regulate network fees – we have no general mandate to regulate where we see fit. This means that any productivity adjustment applied by IPART would reduce fares.</p> <p>Lower fares mean lower income for drivers and operators – it would not 'penalise' networks or NSWTI as their income is not directly obtained from fares.</p> <p>IPART tries to ensure that fares are sufficient to allow drivers and operators to recover their costs. Where they do not have control over these costs (for example, plate lease costs), including a lower value for these costs in fares would simply result in lower earnings for drivers and operators.</p>
IPART's removal of some terms included in the 2008 glossary from the 2009 report was unprofessional and lacking in openness and transparency (T Hirsch)	<p>Glossaries are included in reports to explain terms used in the report – our report in 2008 accompanied a major review and as a result, a greater number of terms were used in the report and defined in the glossary.</p> <p>We revise the glossary every year to include only the terms used in the report so that it is as short as possible – the 2009 glossary contained fewer defined terms because fewer terms were used in the 2009 report.</p>
IPART provides information on industry structure that deliberately conceals the true power structures of industry stakeholders (T Hirsch)	<p>In the past we have provided a factual summary of the regulatory framework including the different parts of the industry (Box 2.2 in the 2008 final report) – this summary is included for background information and is checked by NSWTI (the industry regulator) for accuracy.</p>
IPART refuses to include the version of Box 2.2 provided by T Hirsch in its report - this shows a lack of openness and	<p>It is not IPART's role to speculate on power structures within the industry. It would be inappropriate for us to include one stakeholder's views of these aspects of the industry or of other stakeholder groups, and present them as factual information.</p>

Issue raised	Response
transparency and brings into question IPART's credibility (T Hirsch)	<p>IPART cannot choose to regulate these input costs – we have no general mandate to regulate where we see fit.</p> <p>IPART tries to ensure that fares are sufficient to allow drivers and operators to recover their costs – where they do not have control over these costs (for example, plate lease costs), including a lower value for these costs in fares would simply result in lower earnings for drivers and operators.</p>
<p>External costs (like insurance costs, licence lease costs and network costs) should not simply be passed through to passengers – IPART should consider what it can do about reducing these costs (ATDA)</p> <p>Plate lease costs and insurance costs are within the control of Government and hence shouldn't be 'rubber stamped' by IPART (ATDA)</p>	<p>Future plate lease costs are to be determined by competitive tender. The Government has no control over insurance costs.</p>
<p>There is circularity between plate lease costs and fares (ATDA)</p>	<p>We considered this issue in detail in 2008, where limited comment was provided from stakeholders.</p> <p>In that review we decided that in order to ensure that fares are sufficient to allow drivers and operators to recover their costs we should include actual lease costs. Including a lower value for this item in fares would simply result in lower earnings for drivers and operators.</p>
<p>All people should have the same access to taxis – there is a shortage in certain locations within Sydney (PDCN)</p>	<p>The number of taxis and their location is a matter for the Government, not IPART. However, we have made a recommendation that disaggregated information on WATs by geographic area is collected and published in order to allow local imbalances of supply and demand to be identified and rectified.</p>
<p>IPART's discussion paper did not mention the new arrangements for plate lease costs – IPART has a public obligation to consider the implications of these changes (T Hirsch)</p>	<p>Chapter 2 provides an update on several changes to the industry, including the new arrangements for plate lease costs.</p> <p>It also explains why we decided not to wait for the results of these processes before finalising our recommendations this year.</p> <p>This information was also included in our discussion paper released in March.</p>
<p>IPART should seek suggestions on what it should consider from the industry as IPART otherwise will ignore important industry developments that are occurring, as it appears to have done this year (T Hirsch)</p>	<p>We are aware of current industry developments – we regularly discuss these issues with NSWTI and other stakeholders</p> <p>Chapter 2 clearly outlines IPART's decision on the scope of this year's review and the reasons for it. The issues raised by stakeholders that are not being considered this year have either:</p> <ul style="list-style-type: none"> ▼ already been considered as part of the 2008 review, or <p>cannot be considered because results of industry developments will not be known in time (our terms of reference requires us to finalise our recommendations by 30 June).</p>

Issue raised	Response
IPART should continue to release draft and final reports (T Hirsch)	<p>Where IPART will make significant changes to its approach, we will release a draft report, allowing stakeholders the opportunity to comment on these changes.</p> <p>Given the scope of this year's review and our intentions to make minimal changes, we decided to release a discussion paper in lieu of a draft report.</p>
IPART should not ignore the issue of pre-paid fares – IPART should support this initiative (T Hirsch)	<p>This matter is outside the scope of our terms of reference, which is only to make recommendations to the Government on maximum fares – the manner of charging those fares is a matter for Government and the taxi industry.</p> <p>We note that the Select Committee on the NSW Taxi Industry has made recommendations in relation to this issue.</p>
<p>IPART should recognise the changing costs associated with higher penetration of WATs and petrol vehicles (NSWTDA)</p> <p>The TCI should include a measure of fuel usage for all taxi vehicle models, not just standard taxis – WAT vehicles are increasing in size from 2013 due to new headroom requirements (PDCN)</p>	<p>The TCI is based on a 'typical taxi', which is a standard, LPG taxi (not a WAT or premium taxi)</p> <p>In 2007, 95% of the taxi fleet ran on LPG – while this figure may have changed since then, the costs in the TCI are still relevant for a typical taxi.</p> <p>This is an example of a factor that it is appropriate to review periodically rather than annually as change occurs gradually.</p> <p>IPART will undertake its next major review, including another taxi industry survey, in 2011/12 – this review will provide information to allow us to reconsider this issue.</p>
IPART should recognise GST as a cost to drivers (ATDA)	<p>IPART intends to reconsider this issue at the next major review in 2011/12.</p> <p>As noted in the 2008 final report (p 83):</p> <p>'Ordinarily IPART would carry out analysis for pricing reviews based on GST exclusive costs and any GST would be added to final prices by the regulated business. However, PwC's analysis, which formed the basis of the reweighting process for the Taxi Cost Index (TCI) in this year's review, used GST inclusive costs. In keeping with this approach, IPART also used GST inclusive costs for all of its analysis and recommendations. IPART acknowledges that the treatment of GST has implications for both the weightings included in the TCI and the level of fares compared with the level of costs. However, it is not straightforward to remove the GST from the TCI because not all of the cost items include a 10 per cent GST component.'</p>
<p>The global financial crisis has reduced jobs by around 8% but the supply of taxis has increased – IPART doesn't take this into account (ATDA)</p> <p>IPART should take into account the impact of traffic congestion raising unpaid hours – eg. travelling to booked jobs is slower</p>	<p>The TCI calculation does not take into account supply and demand for taxis. Under the new licensing arrangements these issues are considered by the Director General of NSWTI in determining how many additional taxi plates to offer.</p>

Issue raised	Response
(NSWTDA)	
There is no fare revenue available for funding superannuation or entitlements out of takings (ATDA)	IPART tries to ensure that fares are sufficient to allow drivers and operators to recover their costs. However, we have no control over the allocation of fare revenue between the different groups within the industry.
Drivers should receive a \$5 payment for picking up M40 (non WAT) TTSS passengers to compensate for 'loading time' (NSWTDA)	Direct subsidies to drivers and how they are funded are a matter for the NSW Government. In our 2008 review we consulted on the idea of a loading fee for WAT pick-ups funded through higher fares. There was no support for us to pursue such a measure. Our 2008 final report (p 112) states:
The \$7.70 lift fee for WAT pick-ups is inadequate and should not be funded by the industry (NSWTDA)	'Given the limited level of stakeholder support for an incentive payment subsidised through fares, and the view put to IPART by stakeholders that poor WAT response times tend to be very localised, IPART does not propose to recommend making an allowance for a WAT incentive payment in its fare recommendations at this stage.' We note that the Select Committee on the NSW Taxi Industry has recommended that we are asked to provide advice to NSWTI on the value of the incentive payment as part of our annual fare review. If implemented, this recommendation will allow us to consider these issues in future reviews.
Higher running costs of WATs should be taken into account as should restrictions on shift hours of WATs – the lease discount and maxi-taxi surcharge are not enough to compensate (NSWTDA)	In our 2008 final report (p.109) we noted that: 'The PwC survey did not provide enough information to allow IPART to estimate WAT costs. This is partly because WATs make up a small proportion of total taxis in NSW (around 10 per cent), so the number of respondents providing data on WAT costs was not significant.' However, this matter was considered by PwC. PwC's 2007 report states that (p 30): 'It is estimated that the differences in net costs and revenues for WAT and standard taxis, particularly when the new driver payments are taken into account, are minimal. ... As the proposed index will only be used for measuring changes in taxi costs, and not consider absolute differences in costs, the proposed index remains focused on standard taxis and no separate index was developed for WATs and Premium taxis. It is assumed that costs for WATs and Premium taxis move largely in parallel with standard taxis.' We will undertake our next major review, including another taxi industry survey, in 2011/12 – this review will provide information to allow us to reconsider this issue. In the meantime, the level of subsidy provided by the Government to WATs is a matter for the NSW Government rather than IPART.

C Issues raised that are outside the scope of the review

Issue raised	Response
The station access fee for CityRail trains for Sydney Airport, Mascot and Green Square should be removed (Sydney Airport)	We do not determine the station access fee for these stations. This is a matter for the NSW Government.
Bus services to and from the airport should be improved (Sydney Airport)	We do not determine the services provided under metropolitan bus service contracts. This is a matter for the NSW Government.
Drivers should have to pass certain requirements to show they have the right skill and attitude to perform the job - current standards are too low (Anonymous)	<p>Drivers must obtain authorisation before being able to drive a taxi in NSW. This authorisation process involves driver tests and training in relation to customer service and local knowledge. NSWTI administers this program, and we have no involvement in this process. Any feedback on the adequacy of current standards should be provided directly to NSWTI.</p> <p>See http://www.transport.nsw.gov.au/taxi/driver-authority.html</p> <p>We note that the Select Committee on the NSW Taxi Industry considered this issue in detail.</p>
IPART should direct its inquiry towards the issue of using taxis to fill gaps in public transport services (G Hoskin)	<p>We have a limited role within the taxi industry, which is governed by our terms of reference. The availability of public transport is a matter for the NSW Government rather than IPART.</p> <p>The Select Committee on the NSW Taxi Industry has made recommendations in relation to the use of taxis in community transport programs.</p>
There should be increased scope for multiple hiring of taxis (G Hoskin)	This matter is governed by regulations on the industry – this is a matter for NSWTI, the industry regulator. It is outside the scope of our current terms of reference.
IPART should consider other inquiries into the taxi industry and coordinate research with them – it is important that IPART is aware of industry developments (G Hoskin)	<p>We do not have a general regulatory power in relation to the taxi industry. Our only role in the industry is to make fare recommendations.</p> <p>We are aware of industry developments – Chapter 2 provides an update on several of these, including the current Upper House Inquiry. It also explains why we have decided not to wait for the results of these processes before finalising our fare recommendations this year.</p>
Government inertia and the influence of the Taxi Council have resulted in failure to implement recommendations from reports into the industry – IPART should not allow this to continue (G Hoskin)	<p>We do not have a general regulatory power in relation to the taxi industry. Our only role in the industry is to make fare recommendations.</p> <p>The NSW Government’s response to past reports into the industry is a matter that is currently being considered by the Upper House Inquiry into the taxi industry.</p> <p>We note that the Select Committee on the NSW Taxi Industry has considered this issue in detail.</p>

D Request to consider flat fares between the airport and CBD



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Mr J Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Mr Cox

Consideration of Flat Fares for Some Taxi Journeys

I refer to the attached media release by the Acting Minister for Transport, the Hon Michael Daley MP, on 27 August 2009, announcing a proposal to investigate flat taxi fares on some Sydney routes.

Given IPART's expertise in the analysis of taxi industry costs and implications for fares for passengers, drivers and operators, I am writing to seek a detailed consideration of this issue as part of the 2010 review of fares.

In the first instance, consideration is sought of a flat fare for two routes:

- Between the Sydney CBD (from Central Station to Circular Quay) and the International Airport terminal; and
- Between the Sydney CBD (from Central Station to Circular Quay) and the Domestic Airport terminal

In undertaking the review, it would be desirable for consideration to include the following key issues:

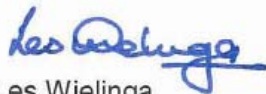
- potential for disadvantage to either passengers or drivers if the flat fare is higher or lower than the metered fare at the time of travel;
- whether the flat fare would be optional or applicable at certain times of day, and the potential for drivers to avoid such journeys if the flat fare is lower than the metered fare, particularly in peak periods;
- reference to costs including tolls and night rates;

D Request to consider flat fares between the airport and CBD

- implications of a flat fare occurring 'off-meter';
- consideration of similar schemes internationally; and
- how a flat fare could operate should government decide to proceed.

If you require further information in relation to this issue, please contact Karen Wyatt, Senior Policy Officer, Transport Policy and Reform at NSW Transport and Infrastructure on telephone (02) 9268-2845.

Yours sincerely



Les Wielinga
Director General

Encl. 15.09.09

E Calculating the change in costs using the TCI

This Appendix describes how the Taxi Cost Index (TCI) is calculated.

E.1 How the Taxi Cost Index works

The TCI incorporates the major cost items involved in providing taxi services in NSW to measure, in percentage terms, how much the overall cost of providing the service has changed in the 12 months since our last review to enable us to determine an appropriate fare change. These major cost items include:

- ▼ labour costs (of drivers and operators)
- ▼ fuel costs
- ▼ network fees
- ▼ license plate lease costs
- ▼ vehicle costs (including maintenance, insurance, vehicle lease costs)
- ▼ other costs.

Weightings

Each item is weighted according to the proportion of the overall cost of providing the service it represents. In this way the TCI builds up the cost structure of running a typical taxi. There are separate TCIs for urban and country taxis. Each TCI includes the same cost items but the cost items are weighted differently to reflect the different cost structure of urban and country taxis. Table E.1 shows the weightings and inflators that were established at the end of the 2009 review to be used in the 2010 review.

Initially the weightings were established by surveying the industry and working out a representative set of costs. This was conducted in 2007 as part of the 2008 review of taxi fares. The survey is to be conducted every 5 years or so. In between, the weightings are adjusted each year to account for the change in relative costs between the cost items - costs that increased by more than the average this year will have a higher weighting next year and costs that increased by less than the average, or fell, this year will have a lower weighting next year. Adjusting the weightings in this way ensures that the index continues to reflect the costs faced by operators from year to year.

Table E.1 Current weightings for cost items (% of total costs)

Cost item	Urban TCI	Country TCI
Driver costs		
Notional drivers' wages	39.0	42.0
Notional self-funded entitlements	1.4	6.3
Driver superannuation	4.0	4.3
LPG fuel	7.2	-
Other drivers' costs	2.4	1.6
Total drivers' costs	54.1	54.3
Operator costs		
Operators' salary equivalent	6.8	7.4
Driver entitlements in the Contract Determination	4.4	-
LPG Fuel	-	6.9
Maintenance costs	4.8	4.1
Plate lease costs	13.7	11.4
Insurance	7.7	4.7
Vehicle lease payments	2.3	2.5
Network fees	3.2	4.7
Other operators' costs	3.0	4.1
Total operators' costs	45.9	45.7
TOTAL	100.0	100.0

Inflatons

We estimate the change in each cost item using a cost 'inflater', which is expressed as a percentage change. Each cost item has its own inflater, which aims to track the movement in this particular cost item over time. Wherever possible, we select inflators that are based on independent and verifiable data that is publicly available and that provide a reasonable estimate of cost changes for operators.

Table E.2 Inflaters used to estimate annual changes in cost

Cost item	Inflator
Notional drivers' wages	WPI (productivity adjusted)
Notional drivers' self-funded entitlements	WPI (productivity adjusted)
Drivers' superannuation	WPI (productivity adjusted)
LPG fuel	FUELtrac LPG data (annual monthly average)
Other drivers' costs	CPI - Sydney
Operators' salary equivalent	WPI (productivity adjusted)
Driver entitlements in the Contract Determination ^a	IRC determination cost
Maintenance costs	CPI - Motor vehicle repair and servicing
Plate lease costs	Quotes provided by NSW Taxi Council
Insurance	CPI - Insurance services
Vehicle lease payments	CPI - Motor vehicles
Network fees	CPI - Sydney
Other operators' costs	CPI - Sydney

^a Applies to the urban TCI only.

Calculating the change in costs

At the start of each review, we establish the relative weighting for each cost item in the cost index, and the value of its inflator. We then multiply the weighting by the inflator value for each cost item individually, to calculate the change in overall costs that cost item represents (ie, the contribution of any increase or decrease in the cost item since the last review to the overall change in the cost of providing the service). The sum of all these provides the increase in overall costs faced by the industry. This is the total change in the cost index.

E.2 Labour cost items

We have inflated the labour cost items by the movement in the Wage Price Index (WPI) as measured by the average index value for 4 quarters to 31 March 2010 divided by the average index value for the 4 quarters to 31 March 2009. We calculated the value of WPI to be 3.3%. An adjustment is then made to share the benefits of productivity gains with passengers. This year we decided on no productivity adjustment for driver labour costs and 0.3% for operator labour costs. The reasoning behind this decision is provided in the section below. This results in a final inflator value of:

- ▼ 3.3% for driver labour costs
- ▼ 3.0% for operator labour costs.

Table E.3 summarises the calculation of this inflator.

Table E.3 Calculation of productivity adjusted WPI for the 2010 review of taxi fares

	Driver	Operator
Average WPI to December 2008	99.1	99.1
Average WPI to December 2009	102.4	102.4
Change in WPI	3.3%	3.3%
Productivity adjustment	0.0%	0.3%
WPI-X ^a	3.3%	3.0%

^a WPI-X is calculated using the following formula: $(1+\text{Change in WPI})/(1+\text{Productivity adjustment})-1$.

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 permanent full-time drivers with paid annual and sick leave.⁸⁷ Casual or part-time drivers in urban areas and all drivers in country areas must self-fund their entitlements. Box E.1 summarises how urban driver entitlements were allocated in this review.

⁸⁷ The rationale behind this division of costs between driver and operator is covered in detail in our 2009 Review of taxi fares in NSW, p 17.

Box E.1 Calculation of the driver entitlements cost item – differentiating between driver and operator costs

As was the case last year, we have inflated the value of driver entitlements by WPI adjusted for productivity gains as is the case with other labour costs. Entitlements are included for all drivers as a loading on notional wages. We split them between operator costs (driver entitlements under the contract determination) and driver costs (notional self funded driver entitlements).

To split the driver entitlements cost item between operators and drivers, the following steps are taken:

- ▼ the total value of driver entitlements for 2009 is inflated by WPI-X to obtain total driver entitlements for 2010
- ▼ the value of the entitlements as determined in the contract determination for 2009/10 (set by the NSW Industrial Relations Commission) is subtracted from the total value of entitlements and allocated to operators (the operator cost)
- ▼ the remainder is the notional self funded driver entitlements cost item (the driver cost).

Table E.4 summarises the outcomes of this calculation. This year, the operator allowance for entitlements increased by more than the driver allowance (the total value of entitlements still increased by the productivity adjusted WPI). The relative split in the cost between drivers and operators does not affect the fare outcome, it has been added to assist the IRC in its decision making process and to be reflective of previous IRC decisions.

Table E.4 Calculation of driver entitlements for the 2010 review of taxi fares

	Notional self funded entitlements	Entitlements under the contract determination for 2010
2009 value	\$3,157	\$9,593
2010 value	\$3,243	\$9,929
Change (%)	2.7	3.5

Given the reductions in productivity measures on both a year-on-year and 5-year average basis, we consider it would be difficult to maintain the same productivity improvements as in previous years. A productivity adjustment of 0.3% for operators is consistent with a conservative estimate of productivity improvements that are achievable across the economy as a whole. We made no adjustment to drivers labour costs this year reflecting our view that drivers may not be able to make productivity improvements in line with a conservative estimate of productivity in the rest of the economy. The impact of the productivity adjustment on the overall fare increase is small.

Table E.5 Productivity measures – 2008/09 National System of Accounts

	2004/05	2005/06	2006/07	2007/08	2008/09	5-year average	Last year's 5-year average ^a
Gross value added per hour worked:							
Transport & storage	2.8	2.9	3.7	-1.5	-5.6	0.5	1.0
All industries	0.4	0.7	1.1	1.1	0.1	0.7	1.1
Other measures:							
Market sector productivity (GDP per hour worked)	-0.1	1.4	1.0	1.3	0.3	0.8	-
Labour productivity per hour worked	0.0	2.1	1.1	1.5	-0.3	0.9	1.5
Labour productivity per hour worked (quality adjusted)	-0.2	1.9	0.9	1.4	-0.4	0.7	1.4
Capital productivity	-1.6	-2.2	-1.1	-2.0	-5.3	-2.4	-1.6
Multifactor productivity per hour worked	-0.8	0.1	0.0	-0.1	-2.7	-0.7	0.1
Multifactor productivity per hour worked (quality adjusted)	-0.9	0.0	-0.1	-0.2	-2.8	-0.8	0.3

^a Last year's five year average as shown in the 2009 Review of Taxi Fares final report.

Source: ABS Australian System of National Accounts, 5204.0, 2008/09 – Tables 1, 13 and 15.

Stakeholders such as NSW Taxi Council, NSW TDA and ATDA continued to oppose our productivity adjustment in both their submissions and comments at the public hearing.

Stakeholders commented on factors which may influence productivity that are outside operator or driver control such as:

- ▼ increases in traffic congestion
- ▼ increases in road infrastructure charges
- ▼ decreases in speed limits
- ▼ significant increases in the number of hire cars, tourist vehicles, courtesy vehicles and free bus services as well as an increased number of taxis
- ▼ removal or reduction in the size of taxi ranks and decreases in access to drop-off and pick-up locations that have occurred
- ▼ the economic downturn that has resulted in taxi drivers spending longer periods of time waiting between fares.

We agree with some of the arguments raised by stakeholders on the scope for drivers to achieve productivity gains. Taxis essentially operate as small businesses, and their productivity is closely linked to the patronage of their services. We agree that taxi drivers may have limited scope to improve their productivity in line with a conservative estimate of what is achievable in the broader economy due to increasing road congestion and changes to road rules.

However, there is little evidence to verify several other factors listed by stakeholders. We are also of the view that other factors listed by stakeholders would be unlikely to have a significant impact on driver productivity. For example, increases in road infrastructure charges (tolls) are passed on to passengers and so do not affect productivity while decreases in speed limits are likely to be less important than congestion, particularly in the inner city and during peak periods.

On the other hand, there may still be some scope for the industry to improve its productivity through:

- ▼ 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 service through quality improvements.
- ▼ Operational improvements to increase the ratio of paid kilometres to unpaid kilometres – for example, better positioning of taxis.

We also note that all of the reasons identified in submissions for lower productivity 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 extent as driver productivity.

E.3 LPG fuel

In line with past practice, we have inflated the LPG fuel cost item using FUELtrac data on the price of LPG fuel. We used the latest available data on the average fuel price for the 12 months from May 2009 to April 2010, compared with the daily average fuel price for the 11 months from June 2008 to April 2009.⁸⁸ Using this data gave a value for the inflator of:

- ▼ 6.7% decrease in fuel costs for urban areas
- ▼ 8.5% decrease in fuel costs for country areas.

The value of the inflator for urban areas reflects the average monthly weighted price data from Sydney, Wollongong and Newcastle. This is consistent with our approach last year.

⁸⁸ Although the time periods are different, the use of a weighted monthly average takes this into account and therefore, we do not consider that there are any issues associated with using these averages.

The value of the inflator for country areas reflects the average monthly weighted price data from all towns in the country fare zone except for 5 towns where FUELtrac advised that the data is collected sporadically or is not checked and 2 towns with only one taxi.⁸⁹ Table E.6 below summarises the calculation of the LPG fuel inflator.

Table E.6 Calculation of LPG fuel costs for the 2010 review of taxi fares

	Urban	Country
2009 fuel cost	57.1	67.2
2010 fuel cost	53.3	61.5
Change (%)	-6.7	-8.5

Note: Fuel costs are ex GST.

Source: FUELtrac data.

E.4 Network fees

We inflated the network fee cost item by the change in the Sydney CPI (as measured by the average index value for the 4 quarters to 31 March 2010 divided by the average index value for the 4 quarters to 31 March 2009). The value of this inflator is 2.0%. Table E.7 below summarises the calculation of the network fees inflator.

This approach represents a change in methodology since last year. A detailed explanation of the reasons for the change is provided in Chapter 3.

Table E.7 Calculation of other costs for the 2010 review of taxi fares

CPI (Sydney) – average to March 2009	165.3
CPI (Sydney) – average to March 2010	168.5
Change (%)	2.0

Source: ABS.

⁸⁹ Hay, Yass, Cowra, Coonabarabran, Glen Innes, Inverell and Narrabri have been excluded.

E.5 Licence plate lease costs

A NSW taxi-cab licence entitles the holder to operate a taxi in line with any specific conditions placed on that licence.⁹⁰ We have inflated the cost of leasing a taxi plate licence by the cost of leasing taxi licences from a sample of taxi networks with data provided by the NSW Taxi Council on the cost of leasing taxi licences from a sample of taxi networks. The increase in lease costs for the past year was 4.8%.

Recent changes to licensing arrangements are expected to provide an alternative source of data in future years. Some stakeholders suggested that we review this inflator this year due to the recent leasing of plates by NSW Transport and Infrastructure.

We did not consider it appropriate to review this inflator as part of this review because:

- ▼ Not all stakeholders have had the opportunity to comment on any potential changes.
- ▼ The TCI is backward looking, but the majority of the new licence plates issued under the initial tender of 100 licences and the subsequent release of licences from 1 July 2010 will have been added after the end of the review period. This information will be relevant for next years fare review.
- ▼ As there has only been one release of new plates, and these plates are not the same produce as the existing unrestricted licenses, there is no base year to use for calculating a percentage change in values this year.

As noted in Chapter 2 and in the discussion paper we released in March, we intend to consider this inflator in next year's review as more information will be available and all stakeholders will have the opportunity to comment on any potential changes to the inflator.

E.6 Maintenance costs

We have 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 4 quarters to 31 March 2010 divided by the average index value for the 4 quarters to 31 March 2009). The value of this inflator is 3.1%. Table E.8 below summarises the calculation of the maintenance costs inflator.

⁹⁰ In addition to holding a taxi-cab licence, an operator of a taxi service must hold accreditation as a taxi operator and belong to a taxi network and any driver must be an authorised taxi driver.

Table E.8 Calculation of maintenance costs for the 2010 review of taxi fares

CPI – Repairs and servicing – average to March 2009	153.5
CPI – Repairs and servicing – average to March 2010	158.2
Change (%)	3.1

Source: ABS.

E.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 4 quarters to 31 March 2010 divided by the average index value for the 4 quarters to 31 March 2009). The value of this inflator is 9.4%. Table E.9 below summarises the calculation of the insurance costs inflator.

Table E.9 Calculation of insurance costs for the 2010 review of taxi fares

CPI – Insurance services – average to March 2009	297.0
CPI – Insurance services – average to March 2010	324.9
Change (%)	9.4

Source: ABS.

E.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 4 quarters to 31 March 2010 divided by the average index value for the 4 quarters to 31 March 2009). The value of this inflator is 0.0%. Table E.10 below summarises the calculation of the vehicle lease payments inflator.

Table E.10 Calculation of vehicle lease payment costs for the 2010 review of taxi fares

CPI – Motor vehicles – average to March 2009	97.7
CPI – Motor vehicles – average to March 2010	97.7
Change (%)	0.0

Source: ABS.

E.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 4 quarters to 31 March 2010 divided by the average index value for the 4 quarters to 31 March 2009). The value of this inflator is 2.0%. Table E.11 below summarises the calculation of the other cost inflator.

Table E.11 Calculation of other costs for the 2010 review of taxi fares

CPI (Sydney) – average to March 2009	165.3
CPI(Sydney) – average to March 2010	168.5
Change (%)	2.0

Source: ABS.

E.10 Weightings for the 2011 review

After we have estimated the change in taxi costs through the use of the TCI, we update the weightings to be used in next year's TCI. The weightings are adjusted to account for changes in the price of each cost input over the review period. In this way the relative amount of each input remains constant while the weighting of each cost compared to total costs changes to account for changes in relative prices.

The weightings and costs used at the start of the review are multiplied by the change in the various cost inflators to develop a set of weightings for the 2011 Review of taxi fares. These costs and weightings are provided in Table E.12 and Table E.13 below.

Table E.12 Cost item weightings for use in the 2011 taxi cost index - urban

Cost item	2011 Cost (\$)	2011 Weighting (%)
Notional drivers' wages	87,812	39.1
Driver entitlements (notional self funded)	3,243	1.4
Driver provision for super	9,089	4.0
LPG fuel	14,732	6.6
Other drivers' costs	5,413	2.4
Total drivers' costs	120,288	53.5
Operator salary equivalent	15,334	6.8
Driver entitlements in the Contract Determination	9,929	4.4
Maintenance Costs	10,702	4.8
Plate lease costs	31,244	13.9
Insurance	18,432	8.2
Vehicle lease payments	5,115	2.3
Network fees	7,009	3.1
Other operators' costs	6,755	3.0
Total operators' costs	104,520	46.5
Total costs	224,809	100.0

Table E.13 Cost item weightings for use in the 2011 taxi cost index - country

Cost item	2011 Cost (\$)	2011 Weighting (%)
Notional drivers' wages	89,163	42.2
Driver entitlements (notional self funded)	13,374	6.3
Driver provision for super	9,228	4.4
Other drivers' costs	3,426	1.6
Total drivers' costs	115,192	54.6
Operator salary equivalent	15,570	7.4
LPG fuel	12,882	6.1
Maintenance Costs	8,693	4.1
Plate lease costs	24,621	11.7
Insurance	10,500	5.0
Vehicle lease payments	5,115	2.4
Network fees	9,878	4.7
Other operators' costs	8,638	4.1
Total operators' costs	95,896	45.4
Total costs	211,088	100.0

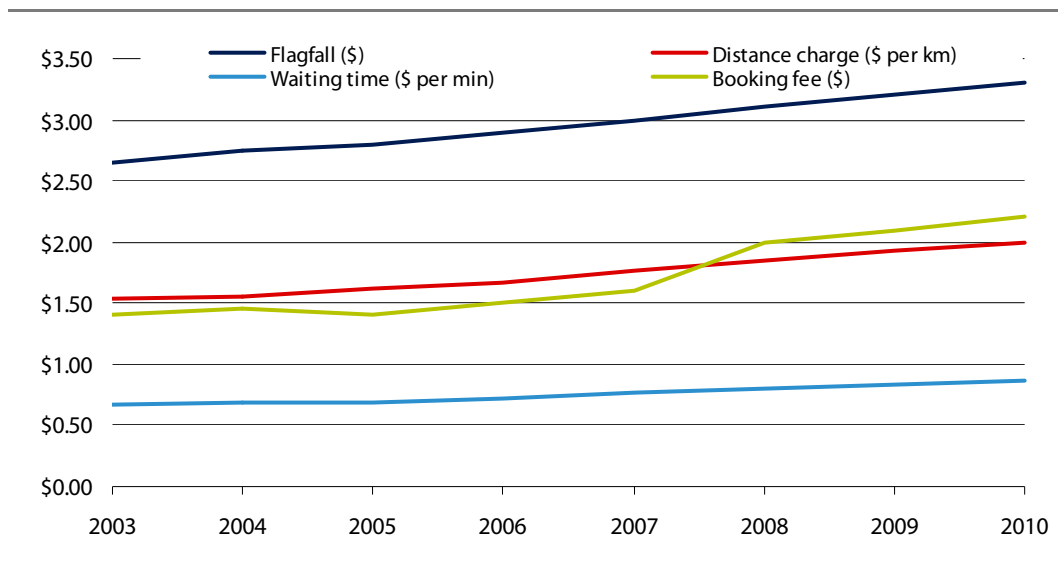
F IPART's consideration of fare components

As part of this review, we have decided to maintain the current relativities between the individual fare components. This appendix provides more detail on the issues we considered when coming to this decision.

F.1 How fare components have changed over time

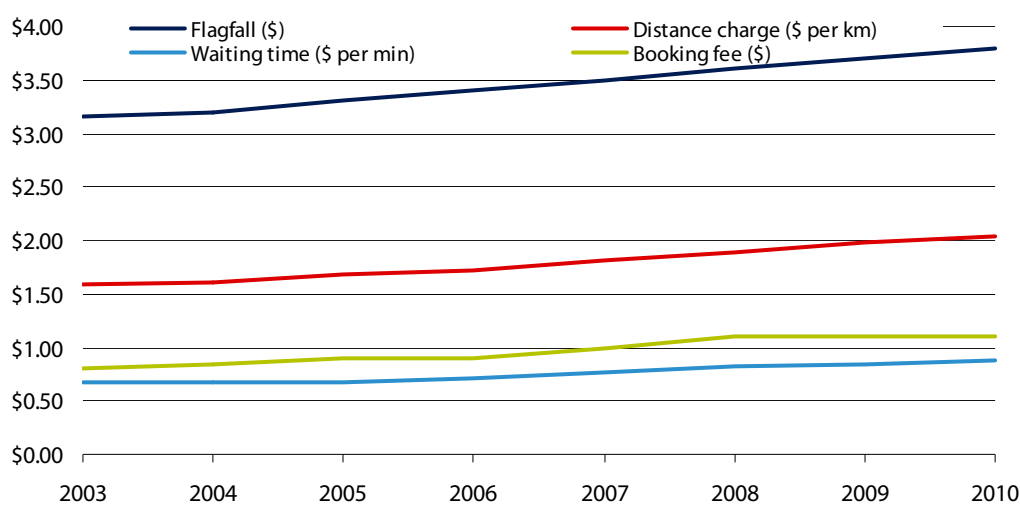
In the past, we have largely maintained the current relativities between fares. One exception is that we increased the booking fee for urban taxis relative to the other charges in 2008. Figure F.1 and Figure F.2 depict the change in each fare component over the past 7 years.

Figure F.1 Changes in fare components since 2003 – Urban taxis



Data source: IPART reports.

Figure F.2 Changes in fare components since 2003 – Country taxis



Data source: IPART reports.

F.2 Relativities between fare components within the average fare

We considered the relativities between the flagfall, booking fee, waiting time and distance components of the fare. We also considered suggested changes to the late night surcharge. As these charges are all components of the average fare, any changes made to one component would require balancing changes to other components of the fare so that the increase in the average fare is equal to the outcomes of the TCI. For example, an increase in the flagfall would require a relative decrease in other components of the fare (such as the distance rate) to obtain the same average fare as would have resulted if no change to the flagfall had been made.

F.2.1 Flagfall

We have recommended the following flagfalls from 1 July 2010:

- ▼ \$3.30 in urban areas – up 10 cents from the current level of \$3.20
- ▼ \$3.80 in country areas – up 10 cents from the current level of \$3.70.

These increases are in line with the overall change in taxi fares and represent no change in the size of the flagfall relative to the other fare components.

Generally stakeholders support the relativity between the flagfall and other fare components. However, the NSW TDA suggested an increase in the flagfall to \$4.00 from \$3.20 to make short fares more attractive to drivers. They raised anecdotal evidence suggesting that drivers lack incentives to take short fares, and suggest that an increase in the size of the flagfall would correct this issue. In our view, these concerns relate mostly to the costs associated with picking up pre-booked trips, and

do not take into account the significant proportion of trips that are hailed in the street and do not involve up-front costs to drivers to get to the pick-up point.

In 2008, we conducted an in-depth review of the relative levels of the individual components of taxi fares.⁹¹ We decided that the current level of the flagfall was appropriate given comments made by the ATDA and the Taxi Council advising that the flagfall was sufficient to encourage short journeys. In our view, no new information or arguments were provided this year that persuade us that we need to make significant changes to the relativities between the various fare components.

F.2.2 Distance rate

We have recommended the following distance rate from 1 July 2010:

- ▼ \$1.99 per kilometre in urban areas – up 6 cents per kilometre from the current rate of \$1.93
- ▼ \$2.04 per kilometre for the first 12km in country areas – up 6 cents per kilometre from the current rate of \$1.98
- ▼ \$2.83 per kilometre after the first 12km in country areas – up 7 cents per kilometre from the current rate of \$2.76.

These changes are in line with the overall change in taxi fares and represent no change in the size of the distance rate relative to the other fare components.

Generally stakeholders support the relativity between the distance rate and other fare components. In 2008, we conducted an in-depth review of the relative levels of the individual components of taxi fares.⁹² In our view, no new information or arguments were provided this year to suggest that we need to make significant changes to the relativities between the various fare components.

F.2.3 Booking fee

We have recommended the following booking fee from 1 July 2010:

- ▼ \$2.20 in urban areas – up 10 cents from the current \$2.10
- ▼ \$1.10 in country areas – no change from the current level.

These changes are broadly in line with the overall change in taxi fares and represent no change in the size of the booking fee relative to the other fare components.⁹³

⁹¹ IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008.

⁹² IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008.

⁹³ The booking fee for country taxis did not increase once it was rounded to the nearest 10 cents.

Generally stakeholders support the relativity between the booking fee and other fare components. PDCN noted that the booking fee had risen significantly in 2008 and argued against further increases. However, the NSWTDAs suggested a further increase in the booking fee to make fares booked through radio networks more attractive to drivers. The NSWTDAs stated that at present, drivers have little incentive to accept remote short fares for the following reasons:

- ▼ The current booking fee does not compensate for the cost of getting to the pick up point. Dead running from the nearest taxi rank could be up to 13.5km, yet the current booking fee only equates to the costs of running a taxi for a couple of kilometres.
- ▼ A booked fare actually consists of 3 legs; to the job, with the job, and from the drop; yet only one of these legs is actually rewarded with a fare. The NSWTDAs compared this to ambulances which are paid for all 3 legs.

An individual submission strongly disagreed with equating taxis and ambulances.⁹⁴ In addition PDCN advised that any change would disproportionately affect passengers with mobility challenges as typically these passengers book their taxis rather than hailing them off the street.

In 2008, we increased the booking fee by more than the other fare components in order to improve incentives for drivers to pick up pre-booked fares.⁹⁵ However, the final decision to raise the booking fee by 25% was based on balancing this with concerns regarding the impact on affordability for lower income and less mobile passengers. We do not consider that any of the arguments raised by NSWTDAs this year would suggest a different weighing of these concerns, particularly given the recent significant increase in the booking fee and the lack of support from other stakeholders.

F.2.4 Waiting time charge

We have recommended the following waiting time rate be charged from 1 July 2010:

- ▼ \$51.51 per hour in urban areas – up \$1.51 per hour from the current \$50.00
- ▼ \$52.40 per hour in country areas – up \$1.38 per hour from the current \$51.02.

These changes are in line with the overall change in taxi fares and represent no change in the size of the waiting time rate relative to the other fare components.

⁹⁴ Individual submission, 12 April 2010.

⁹⁵ IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008.

Generally stakeholders support the relativity between the waiting time charge and other fare components. However, the NSWTTDA supported a significant increase to the waiting time charge (to a minimum of \$60 per hour).⁹⁶ As part of the 2008 review, we decided that there was no reason to adjust waiting time by more or less than the average increase in fares. We noted the impact on WATs passengers of changes in the waiting time charge (all passengers can be charged waiting time from the time the taxi arrives at the pick-up point – for WATs passengers, who take more time to enter the taxi, these charges can amount to significant cost). We note that no new information has been provided by stakeholders that would suggest that this decision should be revised.

We also note that:

- ▼ There is no evidence from other stakeholders, either this year or in past reviews, which suggest that passengers have difficulty obtaining fares during times of heavy traffic congestion.
- ▼ Increasing the level of the waiting time component would remove some of the incentive for drivers to avoid areas of heavy traffic congestion when planning a route to the passenger's destination. Given that passengers often rely on drivers to decide on the most efficient route given the time of day and traffic conditions this would reduce the level of service provided to the passenger.
- ▼ Driving taxis necessarily involves a mixture of slow and fast driving – it may not be appropriate to remunerate taxis as if they are driving on uncongested main roads for 100% of the time, without making changes to other assumptions underlying the costs of driving taxis (eg, rates of fuel consumption) and average fare calculations.

F.2.5 Extending the use of the late night surcharge

The late night surcharge applies to all trips taken between 10pm and 6am, 7 days a week. The ATDA and NSWTTDA were the only stakeholders to discuss the application of the surcharge this year. Both requested that the hours of the surcharge be extended.

The ATDA requested that the late night surcharge apply on weekends and public holidays in urban areas, as it has done in previous years' submissions.⁹⁷ The NSWTTDA has requested that the surcharge apply for Sundays, public holidays and for all WATs trips.

⁹⁶ NSWTTDA submission, 29 April 2010.

⁹⁷ In country areas, tariff II also applies on Sundays and public holidays but does not apply on Saturdays between 6am and 10pm.

We considered this issue in detail in our 2008 review.⁹⁸ The ATDA did not provide further reasons for its request this year, in addition to what it has put forward previously. The NSWTTA justifies its request on the grounds that workers in other occupations receive penalty rates and taxi drivers should not be considered differently. It did not provide reasons for the use of the surcharge for WATs trips except to say that WATs trips should be made more attractive to drivers relative to non-WATs.

In the 2008 review, we found that the ATDA did not provide enough information to justify making such a change. We also noted that:

- ▼ The late night surcharge is intended to provide additional compensation to drivers for working unsociable hours and the additional safety risks of night-time driving.
- ▼ Extending the surcharge would require other fare components to adjust as the proportion of fares which are charged at the late night rate, an input of the average fare, would increase.

This year, we did not recommend a change to the hours of the surcharge for the same reasons. In addition:

- ▼ There is no evidence of a shortage of supply of taxis during the day on weekends in urban areas. A survey of taxi passengers conducted by Taverner Research for the City of Sydney suggested that very few passengers have difficulty obtaining a taxi on Sundays (see Box F.1).
- ▼ No evidence has been supplied which would suggest that a fare premium is required to compensate drivers for additional safety risks involved in working during the day on weekends, public holidays or in a WATs vehicle as is the case with late night driving (this is one of the main reasons for the surcharge).
- ▼ It is unreasonable to charge WATs passengers significantly higher fares than other passengers and is likely to be inconsistent with the relevant discrimination legislation.
- ▼ Increasing the use of the surcharge would require the average fare inputs to be updated. Currently 20% of trips are assumed to be subject to the late night surcharge; this would be higher if the use of the surcharge was extended. We have little evidence which would allow us to accurately determine what the new level should be because there is no reliable data on how many trips are made on different days. Also, average fare inputs are usually reviewed as part of a major review of taxi fares and are subject to consultation.

⁹⁸ IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008.

Better information provision on times when taxis are in short supply would allow us to reconsider the extension of the late night surcharge in the future. In particular, we would be interested in information obtained from taxi networks concerning taxi demand by day and by time. As discussed in chapter 5, the Government is currently reviewing network performance standards. This information may become available to us as part of this process.

Box F.1 Taverner Research report on taxis – findings on taxi availability

Taverner Research was commissioned by the Council of the City of Sydney to undertake quantitative research to identify the issues that are faced by taxi passengers in the Inner Sydney area.

Taverner found that 39% of respondents had trouble catching a taxi in the CBD in the last 6 months (which included the busy Christmas period). 32% had trouble catching a taxi in other areas of Sydney.

Of the respondents who had trouble catching a taxi, the main times where passengers had problems are Friday and Saturday nights (see Figure F.3). There is little evidence of a lack of taxis on Sundays compared with other times - only 6% of the respondents who had trouble catching a taxi had the problem on a Sunday (including times where the surcharge is already in place).

Figure F.3 Taverner Research report – when passengers had trouble catching taxis

Day \ Time	Sun	Mon	Tues	Wed	Thur	Fri	Sat	Total
	%	%	%	%	%	%	%	%
6am-9am	1	1	1	1	2	2	1	12
9am-2pm	1	1	3	1	1	0	3	13
2pm-4pm	1	1	1	1	2	2	--	9
4pm-7pm	1	1	1	3	2	9	1	21
7pm-11pm	1	1	2	2	2	8	7	24
11pm-2am	1	--	--	1	0	2	3	8
2am-4am	1	--	--	--	1	1	2	4
4am-6am	--	--	--	--	--	--	1	2
Total	6	3	8	7	8	23	19	100

Q15. Do you recall what day of the week it was when you had problems?
Q16. And do you recall the approximate time?
Base: Respondents who had problems catching taxi (Q17 n=195)
Note: 52 respondents (27%) did not recall the day and 15 (8%) did not recall the time

F.3 Changes to fare components outside the average fare

This section examines the suggested baby capsule booking fee and changing the terms of applying and magnitude of the maxi taxi surcharge. As these charges are not components of the average fare any changes made would not affect the adjustment of fares using the TCI.

Having considered the issues raised, we decided that:

- ▼ an additional charge for the use of baby capsules should not be introduced
- ▼ there should be no change to the level of the maxi taxi surcharge
- ▼ there should be a change to when the maxi taxi surcharge can be charged.

Our considerations in relation to the first 2 of these findings are discussed below. Our reasons for recommending the change to when the maxi taxi surcharge can be levied are set out in the body of the report.

F.3.1 No additional charge for providing a baby capsule

The NSWTDAs requested a \$5 service fee for the supply and use of baby capsules because:

- ▼ the hirer of a baby capsule pays no additional fee, yet the supply and upkeep of a baby capsule is not free to an operator
- ▼ time is wasted removing the baby capsule from its anchorage points and cleaning the after effects of any nappy spillage
- ▼ additional wind drag from storing baby capsules on the roof reduces fuel efficiency, causing a taxi to use an additional 2 litres of fuel per 100 kilometres.

We considered this issue in 2008 when it was suggested by the Taxi Council. The Government opposed the introduction of such a fee at the time. We did not agree to the request in 2008 noting that:

- ▼ There is no good evidence that the costs associated with fitting a baby capsule are not already compensated for (taxis are able to start the meter at the commencement of a hiring, prior to fitting a child seat).
- ▼ Regulations require all WATs and 10% of taxis on each authorised network to have a baby capsule and it is illegal for children to travel in a taxi without an approved child restraint.⁹⁹
- ▼ It is impractical for passengers to bring their own child seat to avoid the charge.

⁹⁹ *Passenger Transport Regulation 2007*, clause 108(b) and clause 176.

We do not consider that the NSWTDAs have presented sufficient new information which would suggest this charge is desirable. In particular, the NSWTDAs did not provide evidence supporting its assertion of decreased fuel efficiency. Also, taxis are not required to store the capsule on the roof – the only legal obligation to carry a child's car seat is imposed on WATs (which are typically vans or station wagons with greater luggage space than standard taxis). We also note that in relation to cleaning, the driver is able to charge the passenger the equivalent of one hour waiting time¹⁰⁰ if a child soils the baby capsule supplied.¹⁰¹

F.3.2 No change to the level of the maxi taxi surcharge

Stakeholders suggested 2 changes to the maxi taxi surcharge as part of this review. At IPART's public hearing and in its written submission, the ATDA pointed out that currently maxi taxi rates can only be charged when a maxi taxi is requested via radio booking or when hailed off the street with more than 5 passengers. The ATDA argued that this should be for 5 or more passengers as standard taxis are only able to carry 4 passengers.

The NSWTDAs, the Taxi Council and NSWTI have all taken the opportunity to comment on this proposal and all support the ATDA's comments. We have agreed, and have recommended this be changed. Our analysis of this issue is provided in Chapter 4.

The PDCN did not address the rules regarding when the surcharge can be applied but did suggest that the value of the maxi taxi surcharge be increased to 75% of the metered fare (instead of the current 50%) to allow for an increased level of income for WATs drivers. The PDCN made the same request as part of the 2008 review and have not provided additional information since then. In 2008 we decided that:

- ▼ there was not sufficient evidence to suggest that the surcharge should be increased
- ▼ income of WATs drivers is better addressed through direct incentives for providing WATs services (which have since been put into place).¹⁰²

We do not consider that evidence provided to us by stakeholders suggests that our 2008 decision on this issue should be changed.

¹⁰⁰ Under these recommendations, one hour waiting time is equal to \$51.51 in urban areas and \$52.40 in country areas.

¹⁰¹ Currently, regulations state that: If a passenger soils a taxi-cab in such a manner that it would cause the driver to be in breach of the driver's obligation to ensure that the taxi-cab is clean and tidy, the driver is entitled to collect, and the hirer must pay, a cleaning fee equivalent to one hour of the waiting time fee determined by the Director-General under section 60A of the Act.

¹⁰² IPART, *2008 Review of Taxi Fares in NSW - Final Report and Recommendations*, June 2008.

G Further options for addressing fuel price volatility

We use the average LPG price over the past year in our annual Taxi Cost Index (TCI) calculation. This approach makes sure that we include the prices that were in place over the full year so that fluctuations in these prices are picked up in fares. However, it also means that fares may not reflect the current prices that the industry is facing.

Currently we conduct a mid year review of the fuel costs in the TCI. If we find that the cost of LPG fuel has changed significantly in the 6 months following the annual review, we recommend a mid year adjustment to taxi fares.

Another option for dealing with this issue is to make changes to our calculation of LPG prices to give more weight to current prices. One way of doing this is to make a 'provisional' adjustment to fares as part of the annual fare review and/or as part of a mid-year review. This appendix contains a preliminary discussion of this approach. At this stage we have not undertaken a full analysis of these options but will do so if there is support for this from stakeholders.

For example, as part of the annual fare review we could compare the average LPG price in recent times (eg, over the last 3 months) with the annual average price included in the TCI calculation. If the 2 averages differ significantly we could make a provisional adjustment to fares equal to the difference between the 2 averages.

Under this method, the LPG fuel cost used in the TCI would be equal to the average fuel cost for the last 3 months of the review period. The value of the inflator is determined by comparing this value with the average fuel cost for the previous year.

The difference between this value, and the value of the inflator using the current method would be considered a provisional adjustment. Where the recent prices are not significantly different from the annual average, the TCI calculation would remain unchanged.

If an adjustment is made, this would need to be 'backed out' of fares prior to the next review. This would be done by changing the TCI back to the level it would be if no provisional adjustment was made. If we don't do this prior to calculating the TCI in the next review, fares will no longer reflect actual costs.

After this process is complete, we would again consider whether a provisional adjustment is required for the future year based on the most recent LPG prices.

The main benefit of this approach would be that fares include a more up to date LPG price. However, because of the cyclical nature of LPG prices, a provisional adjustment based on this approach may not be a good indicator of prices over the coming year. In this case, we could consider a mid-year review to either reconsider the provisional adjustment or to 'settle up' the TCI based on actual price outcomes over the past 6 months.

The main drawbacks of this approach are its complexity, inconsistency with the treatment of other costs in the TCI, and the fact that every year an adjustment needs to be made to the starting point fares and base year costs in the TCI as well as updating the calculation to include the most recent year's information.

H Service quality changes

This appendix defines each key performance indicator for Sydney taxi networks as discussed in section 5.2. 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 H.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 2 minutes (excluding abandoned calls)	Number of phone call answered within 2 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 H.2 Key performance indicators for Sydney standard taxis, 2008-2010

	2008	2009	2010	Change (%)	
				Since 2008	Since 2009
KPI 1: Booking requests (000)	13,330	12,736	12,545	-5.9	-1.5
KPI 2: Rejections (000)	35,595	34,574	31,536	-11.4	-8.8
KPI 3: Jobs accepted by drivers (000)	10,701	10,115	9,550	-10.8	-5.6
KPI 4.1: Average acceptance time for bookings not involving off-loads (min)	n/a	2.8	1.8	n/a	-37.3
KPI 4.2: Average acceptance time for an internal off-load (min)	2.7	2.7	2.3	-16.0	-13.5
KPI 5: M3s (passenger no shows) (000)	1,185.4	1,093.1	1,027.5	-13.3	-6.0
KPI 6.1: Pick up within 15 mins of booking being made (000)	8,549.7	8,131.4	7,720.3	-9.7	-5.1
KPI 6.2: Pick up between 15 and 30 mins of booking being made (000)	709.3	552.2	412.4	-41.8	-25.3
KPI 6.3: Pick up between 30 and 60 mins of booking being made (000)	96.6	67.8	53.0	-45.1	-21.8
KPI 6.4: Total taxi pick ups (000)	9,357	8,752	8,188	-12.5	-6.4
KPI 6.5.1: Average pick up time when no off-load (min)	8.3	7.7	6.5	-22.1	-16.4
KPI 6.5.2: Average of the pick up times in the month when the booking fleet is offered to a fleet within the bureau (min)	n/a	6.8	4.8	n/a	-29.2
KPI 7: Ringbacks (000)	683.2	574.1	437.2	-36.0	-23.9
KPI 8: Number of taxis operating on network	5,118	5,165	5,227	2.1	1.2
KPI 9.1: Phone calls received including abandoned calls (000)	13,157.0	12,028.5	11,231.9	-14.6	-6.6
KPI 9.2: Calls answered within 1 minute (000)	12,264.8	11,612.8	10,944.3	-10.8	-5.8
KPI 9.3: Calls answered between 1 and 2 minutes (000)	561.8	153.9	36.0	-93.6	-76.6
KPI 9.4: Total average answering time (sec)	16.0	9.1	8.3	-48.3	-9.2
KPI 9.5: Abandoned telephone calls (000)	n/a	201.0	210.6	n/a	-11.9
KPI 10: Average number of radio jobs completed per month per car	152.4	148.3	149.7	-1.7	0.9
KPI 11.1: Bookings offloaded per month (000)	2,235.9	2,012.7	2,699.1	20.7	34.1
KPI 11.2: Bookings offloaded and returned as unable to be met per month (000)	203.4	158.3	201.4	-1.0	27.2
KPI 11.3: Bookings successfully offloaded per month (000)	2,032.3	1,855.3	2,496.0	22.8	34.5
KPI 12: Number of No Cars Available (000)	236.9	199.4	178.2	-24.8	-10.6
KPI 13.1: Number of taxis signed on at 9 am	3,280.6	3,422.3	3,563.8	8.6	4.1
KPI 13.2: Number of taxis signed on at 9 pm	3,451.7	3,604.2	3,721.5	7.8	3.3

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. KPI 9.5 is not a full year of data for 2009, the year on year comparison has accounted for this by only considering data for the time periods in each year for which data is available.

Change is calculated according to the raw values, not the rounded values presented in the table.

Source: NSWTI.

Table H.3 Key performance indicators for Zero200 taxis, 2008-10

	2008	2009	2010	Change (%)	
				Since 2008	Since 2009
KPI 1: Number of bookings required (000)	120.4	118.7	131.1	8.9	10.5
KPI 2: Number of rejections (000)	73.6	62.9	66.2	-10.0	5.2
KPI 3: Number of jobs accepted by taxi drivers (000)	105.8	104.0	115.3	8.9	10.8
KPI 4: Average acceptance time (minutes)	3.6	3.6	3.3	-9.3	-10.1
KPI 5: Total number of M3's (passenger no shows)	888	820	725	-18.4	-11.6
KPI 6.1: Pick up within 15 mins of booking being made (000)	81.8	80.7	95.3	16.5	18.0
KPI 6.2: Pick up between 15 and 30 mins of booking being made (000)	18.1	18.3	15.9	-12.2	-13.3
KPI 6.3: Pick up between 30 and 60 mins of booking being made (000)	4.6	3.7	3.4	-25.0	-7.5
KPI 6.4: Total taxi pick ups (000)	104.9	103.1	114.8	9.4	11.4
KPI 6.5.1: The average pick up time (min)	8.8	8.8	7.0	-20.2	-20.6
KPI 7: Number of ring-backs	1,252	1,114	1,457	16.4	30.8
KPI 8: Number of taxis operating on the network (monthly average)	433	476	567	31.0	19.1
KPI 9.1: Number of phone calls received including abandoned calls (000)	105.9	115.2	128.8	21.7	11.8
KPI 9.2: Number of phone call answered within one minute (000)	96.7	107.7	118.7	22.8	10.2
KPI 9.3: Number of phone call answered between one and 2 minutes (000)	6.1	4.2	5.2	-14.4	24.3
KPI 9.4: Total average answering time (sec)	26.2	18.8	20.0	-23.7	6.5
KPI 9.5: Abandoned telephone calls	n/a	838	1,587	n/a	60.7
KPI 10: Average number of radio jobs completed per taxi	20.1	17.9	18.1	-9.6	1.3
KPI 11.1: Number of taxis signed on at 8am	162.6	173.3	228.0	40.2	31.5
KPI 11.2: Number of taxis signed on at 4pm	281.0	335.0	437.8	55.8	30.7

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. KPI 9.5 is not a full year of data for 2009, the year on year comparison has accounted for this by only considering data for the time periods in each year for which data is available.

Change is calculated according to the raw values, not the rounded values presented in the table.

Source: NSWTI.

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% 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). We have recommended a change in the surcharge as part of this review
Network fees	Fees paid by the operator of a taxi to belong to an authorised taxi network.
Night time surcharge/ Late night 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% 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 most bookings requiring a wheelchair accessible taxi. All WATs are required to be connected to this network.