

1 What has the Government asked us to do?

The NSW Government has asked IPART to review and make recommendations on the **maximum fares** for **rank and hail taxi services** from July 2018, for the whole of NSW.

Our recommendations will inform Transport for NSW's determination of maximum fares. A rank and hail service provider can establish fares that are lower than the fares determined by Transport for NSW.



The Government has also asked IPART for advice on how many new annual taxi licences it should release outside Sydney, from July 2018. We are conducting a single review process to address both fares and licences. This Information Paper only relates to maximum fares.

Why are we reviewing only rank and hail fares?

The Government is changing the way it regulates point to point transport services. A new regulatory framework will commence 1 November 2017.

Under the new rules:

- ▼ **rank and hail** trips in a taxi will still be subject to maximum authorised fares, determined by Transport for NSW (TfNSW)
- ▼ **booked** trips in a taxi will no longer be subject to maximum authorised fares but will be required to provide a prospective passenger with an estimate of the fare before they start the trip.

What do we need to consider?

In making our recommendations, we must consider the matters listed in the Government's referrals. For maximum fares, these include the cost of providing rank and hail taxi services and the need for greater efficiency in their supply, and the protection of consumers from abuses of monopoly power.

We must also consider the Point to Point Transport Taskforce's Report, and the NSW Government's response to this report.

2 What do we want to know?

We have released an Issues Paper and are seeking stakeholders' views on how much flexibility authorised taxi service providers should have in how they set fares, and how best to protect passengers from excessively high fares.

Competition in the point to point transport market

In a competitive market customers have choices about the provider they use, and can shop around for a better deal if they think the fare offered by a particular provider is too high. Providers are discouraged from charging fares above the level of their efficient costs, or providing poor levels of service, by the threat of losing customers to their competitors.

If competition in the market for point to point transport services is effective, the regulation of fares can be more light-handed than it has been in the past.



What is your view on the level and nature of competition in the market? Does it vary by region of NSW or by time of day?

How do you think the new regulatory framework for point to point transport will affect competition in the rank and hail market in the future?

Tariff components

Currently, fares for rank and hail taxi services (as specified by TfNSW's fares order) include three tariff components: a hiring charge, a distance rate and a waiting rate. The distance rate applies when the taxi is travelling at or above 26km/h. The waiting rate applies when the taxi is travelling below 26km/h, including when the taxi is waiting at an intersection or in traffic.

Rideshare service providers in NSW have a tariff structure with a distance rate and duration rate that apply simultaneously, regardless of the travelling speed. Many also charge a minimum fare.

Option 1 (current tariff components)

Hiring charge	\$ per trip
Distance rate	\$ per km (when travelling above a certain speed)
Waiting rate	\$ per minute (when travelling below a certain speed)

Option 2 (alternative tariff components)

Hiring Charge	\$ per trip
Distance rate	\$ per km (applies to total trip distance)
Duration rate	\$ per minute (applies to total trip duration)



Should TfNSW's fares order continue to specify rank and hail tariff components, or is there merit in an alternative for regulating maximum fares, such as flat maximum fares per distance travelled?

If TfNSW's fares order continues to specify rank and hail tariff components, what should those components be? Should they include a minimum fare?

Peak and off peak tariffs

Currently, maximum fares vary according the time of the day or week, so there are effectively three tariffs in Urban areas (day, night and night owl) and two in Country areas (day and night/holidays). Higher fares at peak times encourage drivers to provide services when they are most wanted. However, they can also deter passengers if they are too high.



Should TfNSW's fares order specify the time period when peak tariffs may apply, restrict the number of hours peak tariffs may apply, or not restrict the time or number of hours when peak tariffs may apply?

Fare levels

Even if the overall level of fares stays the same, an increase in the level of one tariff component and a decrease in another tariff component will affect the price of a particular journey. This review provides an opportunity to increase the efficiency of fares so that providers recover the costs of providing the services in a way that optimises the number of rank and hail trips taken by passengers.

We could recommend the level of each tariff component, for all tariffs, as we have done in the past, at levels that would:

- ▼ allow authorised taxi service providers to set some tariff components lower than the regulated maximum so that fares more closely reflect the costs of supplying services and customers' willingness to pay, and
- ▼ encourage innovation and/or enhanced service quality.



Are current fare levels too low, too high or about right?

What are the risks and potential benefits of setting maximum tariff components above the level of efficient costs? Are current fare levels sufficient to allow price and service innovation by taxi industry participants?

Out of area fares

A taxi driver can charge a fare that exceeds the authorised fare if they are taking a passenger outside the taxi's area of operation, and the fare is agreed with the passenger. This includes trips that cross state borders.



What, if any problems are there with the current arrangements for out-of-area fares? What could be done to address these problems?

Notification

To achieve the full benefits of a less prescriptive form of fare regulation it is important that customers are easily able to obtain information about, and compare, the fares offered by rank and hail service providers.



Are the fare notification requirements in the *Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017* sufficient to facilitate comparison of the fares offered by different rank and hail service providers?

3 Where are we up to?

We released an Issues Paper on 12 September 2017. The Issues Paper is the first step in our consultation process, and identifies the key issues on which we seek stakeholder input.

Table 1 sets out an indicative timetable for the review. We will update this timetable on our website as the review progresses.

Table 1 Indicative review timetable

	Date
Issues Paper release	12 September 2017
Issues Paper submissions due	13 October 2017
Draft Report release	December 2017
Public hearings (Sydney and outside Sydney)	January/February 2018
Draft Report submissions due	February 2018
Final Report submission to Minister	9 March 2018
Transport for NSW publishes new fares order	For 1 July 2018

4 How can you make a submission?

We invite all interested parties to make submissions in response to the Issues Paper

The deadline for submissions is Friday 13 October 2017.

We prefer to receive submissions electronically:

<[www.ipart.nsw.gov.au/Home/Consumer Information/Lodge a submission](http://www.ipart.nsw.gov.au/Home/Consumer%20Information/Lodge%20a%20submission)>

You can also send us an email: transport@ipart.nsw.gov.au

Or a letter: **Taxi review**
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

5 Where can you find more information?

You can view our Issues Paper, and other information about our review of maximum taxi fares for NSW and the number of new annual taxi licences outside Sydney on IPART's website: <<https://www.ipart.nsw.gov.au/Home/Industries/Transport/Taxis>>.

More information on the new regulatory framework for point to point transport is available on the following websites:

- ▼ Transport for NSW <<https://www.transport.nsw.gov.au/projects/programs/point-to-point-transport>>
- ▼ Point to Point Transport Commissioner <<http://www.pointtopoint.nsw.gov.au/>>