

INFORMATION PAPER

2009 Review of Taxi Fares

March 2009

This information paper explains IPART's 2009 review of taxi fares. It is designed to help interested parties understand the review process, develop and lodge submissions that address matters relevant to the review.

The information paper sets out the scope and process for the review, the Taxi Council of NSW proposal for a fare increase and provides information about trends on taxi service standards.

IPART is now seeking submissions from interested parties to inform its decisions. **Submissions are due by close of business on Monday 20 April 2009.**

What the review covers

Taxi fares are approved by the Director General of the Ministry of Transport, after receiving recommendations from IPART. IPART makes an assessment of how the costs of providing taxi services have changed over the previous year and makes recommendations on the following charges:

- ▼ Flagfall.
- ▼ Distance charges.
- ▼ Night-time and public holiday surcharges.
- ▼ Waiting time rate.
- ▼ Booking fees.
- ▼ Surcharge for maxi cabs.

Different maximum fare schedules apply in urban areas and country areas.¹

¹ Urban areas include: Sydney Metropolitan; Camden, Picton, Thirlmere, Tahmoor and Bargo; Blue Mountains; Newcastle and Fern Bay, Toronto, Minmi, Williamtown, Medowie, Ferodale, Raymond Terrace, Campvale, Fassifern, Hexham, Maitland, Beresfield, Fullerton Cove, Tomago and Cams Wharf; Gosford and Wyong; Wollongong and Shellharbour. Country areas include all of NSW except: the urban areas listed above and exempted areas - Moama, Barham, Tocumwal, Mulwala, Barooga and Deniliquin.

How the review will be conducted

IPART will finalise its recommendations and report to the Minister in early June in time for fare changes to take effect from 1 July 2009. The report will be available from the IPART website and mailed to people who make a submission to the review or request a copy.

IPART will make recommendations on fares based on its calculation of the Taxi Cost Index, and its consideration of issues raised by stakeholders, including the Taxi Council's fare proposal.

The timetable for the review is set out in Table 1. This timetable is subject to change. An up to date timetable will be available from the IPART website (www.ipart.nsw.gov.au).

Table 1 Timetable for 2009 taxi review

Event	Date
NSW Taxi Council fare proposal received	11 March 2009
Information paper released	23 March 2009
Public submissions due	20 April 2009
IPART release final recommendations and report	Early June 2009
Fare changes effective	1 July 2009

Factors IPART must consider when making recommendations

IPART's review is conducted under an arrangement (terms of reference) approved by the Premier. The arrangement is entered into under section 9 of the IPART Act and specifies the factors that IPART must consider when setting fares. These factors are:

- ▼ the cost of providing the services concerned
- ▼ the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- ▼ the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers
- ▼ the impact of pricing policies on borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets
- ▼ the need to maintain ecologically sustainable development
- ▼ the social impact of the recommendations
- ▼ 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)

- ▼ the effect of any pricing recommendation on the level of Government funding.

IPART's role in the industry is to recommend changes to the maximum taxi fare. IPART has no direct role in allocating fare revenue to the different industry participants (eg, drivers and operators).²

What submissions should address

It is helpful if submissions address the factors that IPART is obliged to consider in its terms of reference for the review. Stakeholders may also wish to refer to the Taxi Council's fare proposal, which is summarised below and can be accessed in full on the IPART website (www.ipart.nsw.gov.au).

Last year IPART extensively reviewed and consulted on the costs associated with taxi services. IPART does not intend to review the weights of the various cost components of driving and operating a taxi as these were settled in last year's fare review where IPART indicated it would use the weightings, updated for changes in relative prices of cost items, and inflators for the next five years.³

However, particular issues on which IPART would welcome comment are:

- ▼ how the overall change in costs, demonstrated by the Taxi Cost Index, should be distributed among the various fare components (flag fall, waiting time, distance charge etc)
- ▼ the extent to which changes in labour costs should be adjusted to take account of any productivity gains made by the industry
- ▼ the level of taxi standards of service
- ▼ whether IPART should recommend a six monthly review of LPG costs, with a view to making a further fare recommendation in December if LPG costs have changed significantly⁴
- ▼ alternative methods of estimating movements in plate lease costs and network fees based on independent data sources.

The matters summarised above are discussed in more detail below.

² IPART does not have a direct role in determining the maximum amount a driver has to pay to a taxi operator - 'the pay-in' - to drive a taxi for a shift. This is determined by NSW Industrial Relations Commission. IPART understands that the Industrial Relations Commission uses IPART's reports when making its determination and IPART seeks to assist the Commission by separately identifying driver and operator costs.

³ See IPART, *2008 Review of Taxi Fares in NSW – Final Report and Recommendations*, June 2008.

⁴ In 2008, in view of the volatility of fuel prices, IPART reviewed movements in LPG prices in December 2008 and recommended a mid-year fare increase to apply from 1 January 2009 because LPG prices had risen by more than 10 per cent over the past six months. The Minister did not accept the recommendation due to subsequent significant reductions in LPG prices.

Please note that IPART cannot consider issues raised in submissions that are outside the scope of its fare review.

Taxi cost index

IPART uses a Taxi Cost Index (TCI) to assess changes in the cost of providing taxi services. There are separate TCIs for urban and country taxis.

The TCI consists of a basket of taxi cost components weighted according to their proportion of overall costs. Each cost is changed annually by its 'inflater'. Inflatons are obtained from a mixture of publicly available and industry sources. Both the weightings of cost items in the TCI and the values of the inflators influence IPART's fare recommendations. To calculate the annual change in the TCI, IPART takes the weighting of each cost and multiplies it by the relevant cost inflater (expressed as a percentage). This gives the contribution of each cost item to the TCI. IPART then sums the contributions for each of the cost items to give the percentage change in the TCI. The weights vary slightly from year to year because the costs of individual items in the TCI change at different rates.⁵

IPART makes a decision about how the various fare components should change so that the 'average fare' is increased in line with the change in the TCI. The weightings and inflators that IPART will use to calculate the 2009 TCI are set out in Table 2.

IPART will calculate the change in the urban and country TCIs using the most up to date data available. IPART intends to use data for the year to 31 March 2009, except in the case of fuel. Last year, in recognition of the volatility of fuel prices, IPART calculated the change in fuel prices to 31 May 2008. IPART proposes to continue to calculate the change in the TCI using the latest available fuel price data.

⁵ For example, in 2007 LPG fuel costs accounted for 6.9 per cent of the urban TCI. However over 2007/08 the cost of LPG fuel rose more quickly than other items in the index, resulting in LPG costs now accounting for 7.5 per cent of the urban TCI.

Table 2 Weightings and inflators to be used to calculate the Taxi Cost Index in 2009

Cost item	Urban TCI weighting in 2008	Country TCI weighting in 2008	Inflator (measure of cost increases over the past year)
Notional drivers' wages	39.2%	42.2%	Productivity adjusted WPI ^c
Driver entitlements (notional self funded) ^a	1.5%	6.3%	Productivity adjusted WPI ^c
Superannuation	4.1%	4.4%	Productivity adjusted WPI ^c
Fuel costs ^b	7.5%	-	LPG prices from Fueltrac ^d
Other drivers' costs	2.4%	1.6%	CPI ^c
Total drivers' costs	54.6%	54.6%	
Operators' salary equivalent	6.9%	7.4%	Productivity adjusted WPI ^c
Drivers' legal entitlements	4.4%	-	IRC determination cost
Fuel costs ^b	-	6.8%	LPG prices from Fueltrac ^d
Maintenance costs	4.8%	4.2%	CPI Motor Vehicle Repairs and Servicing sub-group ^c
Licence 'Plate lease' costs	13.1%	11.0%	To be determined. In 2008 IPART used quotes for leasing licence plates provided by the NSW Taxi Council
Insurance costs	7.3%	4.4%	CPI Insurance sub-group ^c
Vehicle lease payments	2.5%	2.7%	CPI Motor Vehicles sub-group ^c
Network fees	3.3%	4.9%	To be determined. In 2008 IPART used the weighted average increase in urban network fees reported by taxi networks
Other operators' costs	3.0%	4.1%	CPI ^c
Total operators' costs	45.4%	45.4%	
Total costs	100.0%	100.0%	-

^a Driver entitlements in the TCI are allocated between drivers and operators based on the estimated cost of legal obligations imposed on operators in the IRC contract determination.

^b Fuel costs are paid by drivers under the maximum pay-in system and by operators in other cases. Fuel costs in the urban TCI are allocated to drivers and in the country TCI to operators, reflecting differences in practice between the two areas.

^c The annual percentage change as measured by comparing the average of four quarters to 31 March 2009 with the average of four quarters to 31 March 2008.

^d The annual percentage change as measured by comparing the average daily LPG price over the year to 31 May 2009 with the average daily price over the year to 31 May 2008.

Note: WPI is the Wage Price Index and CPI is the Consumer Price Index - both published by the Australian Bureau of Statistics.

The NSW Taxi Council fare proposal

In order to provide stakeholders sufficient information to make a submission, IPART invited the NSW Taxi Council to submit a proposal for taxi fares from 1 July 2009. IPART also welcomes other taxi industry representatives to make submissions on the level of taxi fares from 1 July 2009.

IPART notes that the Taxi Council proposal is based on changes to the TCI calculated using the weights established in the 2008 TCI updated for relative price changes⁶ and the inflators identified in IPART's 2008 report (see Table 2 above). However, for some items some data was unavailable at the time of Taxi Council's submission. IPART will consider the Taxi Council's proposal, all submissions and will take account of more up to date data where it is available before making a decision.

The Taxi Council requested an increase in fares of 4.1 per cent in urban areas and 4.0 per cent in country areas from 1 July 2009. These increases reflect its estimates of changes in the cost of providing taxi services, based on currently available data. It estimates that in urban areas driver costs have increased at a slower rate than operators costs (3.3 per cent compared with 5.1 per cent).

The Taxi Council argues that ABS productivity data shows a 5.1 per cent decline in productivity in the transport sector, compared to a 0.2 per cent rise across all sectors, and urges IPART to act conservatively when considering whether to make a productivity adjustment to the labour cost items in the index.

The Taxi Council has proposed that the percentage increase in fares should be applied evenly across each fare component (subject to the need for rounding).

The Taxi Council's estimates of changes in the urban and country TCIs are reproduced in Tables 3 and 4 below. The full Taxi Council submission can be accessed on the IPART website.

⁶ Note: 2007 weights were used to calculate the 2008 price change

Table 3 Urban Taxi Cost Index

	2008 cost	2008 weight	Inflator (increase in cost since 2008)	Fare impact
Driver costs				
Notional driver labour costs	\$82,102	39.2%	2.8%	1.1%
Notional self-funded entitlements	\$3,077	1.5%	2.8%	0.0%
Driver superannuation	\$8,498	4.1%	2.8%	0.1%
LPG fuel	\$15,669	7.5%	5.7%	0.4%
Other	\$5,133	2.5%	3.8%	0.1%
Sub Total	\$114,479	54.6%		
Operator costs				
Driver entitlements	\$9,239	4.4%	2.8%	0.1%
Operator salary equivalent	\$14,423	6.9%	2.8%	0.2%
Maintenance costs	\$10,154	4.8%	1.8%	0.1%
Plate lease costs	\$27,534	13.1%	8.2%	1.1%
Insurance	\$15,223	7.3%	9.3%	0.7%
Vehicle lease payments	\$5,237	2.5%	-2.6%	-0.1%
Network fees	\$6,824	3.3%	4.0%	0.1%
Other operator costs	\$6,381	3.0%	3.8%	0.1%
Sub total	\$95,015	45.4%		
Total Urban increase	\$209,494	100.0%		4.1%

Source: NSW Taxi Council proposal, March 2009.

Table 4 Country Taxi Cost Index

	2008 cost	2008 weight	Inflator (increase in cost since 2008)	Fare impact
Driver costs				
Notional drivers' wages	\$83,366	42.2%	2.8%	1.2%
Notional self-funded entitlements	\$12,505	6.3%	2.8%	0.2%
Driver superannuation	\$8,628	4.4%	2.8%	0.1%
Other	\$3,236	1.6%	3.8%	0.1%
Sub Total	\$107,735	54.6%		
Operator costs				
Operator salary equivalent	\$14,645	7.4%	2.8%	0.2%
LPG fuel	\$13,386	6.8%	8.7%	0.6%
Maintenance costs	\$8,248	4.2%	1.8%	0.1%
Plate lease costs	\$21,696	11.0%	8.2%	0.9%
Insurance	\$8,672	4.4%	9.3%	0.4%
Vehicle lease payments	\$5,237	2.7%	-2.6%	-0.1%
Network fees	\$9,616	4.9%	4.0%	0.2%
Other operator costs	\$8,160	4.1%	3.8%	0.2%
Sub total	\$89,660	45.4%		
Total Country increase	\$197,395			4.0%

Source: NSW Taxi Council proposal, March 2009.

Taxi Service standards

IPART is required to consider standards of quality, reliability and safety when making its recommendation on taxis fares. Service standards – that is, the quantity and quality of taxis – are regulated by the Ministry of Transport.

The NSW Ministry of Transport has recently published taxi performance information against network standards on its website for the period July-December 2008. IPART has requested more detailed data on the taxi industry performance including performance data by taxi network from the Ministry of Transport but has only received some of this information to date.

Performance of Sydney taxi networks

For the 2008 calendar year, compared to 2007, there was a slight improvement in the punctuality of pick ups – 92.2 per cent of passengers were picked up within 15 minutes of booking compared to 91.6 per cent in 2007. Performance was markedly better than that required under the network standard (85 per cent).

Table 5 Pick up times as a proportion of total pick ups – Sydney networks

	Within 15 minutes of booking	Within 30 minutes of booking	Within 60 minutes of booking
2006	92.4%	99.2%	99.99%
2007	91.6%	99.0%	99.98%
2008	92.2%	99.1%	99.99%

Note: Data is for calendar years.

Source: Ministry of Transport.

Performance of Wheelchair Accessible Taxis (WAT)

In 2008 the proportion of WAT pickups being made within 15 minutes of booking (77.2 per cent) was a slight improvement on 2007, however, performance is well below the network standard of 85 per cent. The proportions of pickups within 30 and 60 minutes continued to improve slightly in 2008, but remains significantly lower than for standard taxis.

Table 6 Pick up times as a proportion of total pick ups – Wheelchair accessible taxis

	Within 15 minutes of booking	Within 30 minutes of booking	Within 60 minutes of booking
2006	70.7	91.2	99.1
2007	76.5	94.4	99.4
2008	77.2	95.9	99.7

Note: Data is for calendar years.

Source: Ministry of Transport.

Customer feedback on urban taxis

Complaints and compliments regarding urban taxi services are recorded by the Ministry of Transport's Customer Feedback Management System (CFMS). The CFMS data indicates improvements in service quality in 2008. There was a 9 per cent decline in complaints overall and a 7 per cent increase in compliments recorded on the CFMS in 2008 compared with 2007. Serious complaints about taxi drivers fell by 16 per cent in 2008 (see Table 7).

Table 7 Summary of complaints and compliments compared to the previous years for urban taxis^a

	2006	2007	2008	2008 change (%)
Complaints	7803	7489	6842	-8.6
Driver	5517	5301	4724	-10.9
Serious	130	148	125	-15.5
Other	5387	5153	4599	-10.8
Fares	1134	1256	1239	-1.4
Network	887	716	685	-4.3
Taxi	265	216	194	-10.2
Compliments	585	492	526	6.9

^a Data is for calendar years.

Note: Serious complaints include 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 TTTS fraud.

Fares complaints are complaints concerning fares charged, network complaints are complaints concerning radio bookings and pickups, taxi complaints concern the state of the vehicle.

Source: Ministry of Transport, CFMS data.

Table 8 Summary of the most common complaints compared with previous years^a

	2006	2007	2008	2008 change (%)
Demanding more/other than the prescribed fare	960	1078	1074	-0.4
Driving in an unsafe manner	830	817	792	-3.1
Rude to customer – incivility or impropriety	803	693	705	1.7
Refusal of a fare/hire when *for hire*	677	692	584	-15.6
Failure to provide assistance	502	581	528	-9.1

^a Data is for calendar years.

Source: Ministry of Transport CFMS, data.

How to make a submission

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by 20 April 2009.

Submissions received after the deadline will not be accepted unless an extension has been granted prior to 20 April.

We would prefer to receive submissions by email <ipart@ipart.nsw.gov.au>.

You can also send comments by fax to (02) 9290 2061, or by mail to:

2009 Review of Taxi Fares
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Our normal practice is to make submissions publicly available on our website <www.ipart.nsw.gov.au>. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning a member of the taxi review team on (02) 9290 8400.

If you would like further information on making a submission, IPART's submission policy is available on our website.