

## IPART DRAFT RECOMMENDATIONS ON SYDNEY TAXI FARES AND LICENCE NUMBERS

**17 December 2013**

The Independent Pricing and Regulatory Tribunal (IPART) is proposing a freeze on Sydney taxi fares, combined with issuing 190 new annual taxi licences in 2014/15, in a draft report released today for comment.

IPART Chairman Peter Boxall said the draft recommendations propose freezing fares in nominal terms, resulting in taxi fares around 3.5% lower than they were in 2012 in real terms.

“The draft recommendations are designed to make it cheaper and easier for passengers to catch taxis, and cheaper and easier for taxi operators to run a taxi business, without causing an unreasonable impact on existing licence owners,” Dr Boxall said.

The draft recommendations include:

- ▼ Freezing taxi fares in nominal terms, leading to a reduction in fares in real terms (as other prices rise in line with inflation). Fares were frozen in 2013, aside from the introduction of a peak hiring surcharge on Friday and Saturday nights, meaning that under these draft recommendations 2014 fares would be around 3.5% lower in real terms than they were in 2012.
- ▼ Issuing an additional 190 taxi licences (150 unrestricted licences and 40 additional Peak Availability Licences to operate between 12pm and 5am). This would enable new operators to enter the industry and should lower waiting times for passengers.
- ▼ Providing for more affordable replacements for annual licences being handed back or not renewed by issuing a further 73 unrestricted licences and 78 PALs. These are not expected to add to the stock of licences in Sydney but allow operators to access a cheaper licence to reduce their costs without disrupting their businesses.

Dr Boxall said the combined impact of these recommendations would be to make taxis more affordable and reduce waiting times for passengers. This would increase occupancy rates and lead to a busier and more productive taxi industry, without having an unreasonable impact on licence holders, operators or drivers.

“Between 2000 and 2012, taxi fare increases outstripped the rate of inflation (CPI) and the rise in wages (WPI). Cost is the no.1 reason why people don’t use taxis as much as they would like to<sup>1</sup>,” Dr Boxall said.

“Over 80% of taxi passengers pay their taxi fares from their own pocket, and these rising costs have been felt most strongly by customers with limited transport options and low incomes.”

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<sup>1</sup> Taverner Research, *Survey of taxi use in Sydney*, November 2013

“The taxi industry will only be a viable, sustainable industry if it meets the needs of passengers, and we believe these draft recommendations provide the best combination for both fares and licences to secure the long-term future of taxi services in Sydney.”

Dr Boxall said IPART had considered but rejected the option of lowering fares in both real and nominal terms from July 2014 in favour of the proposed fare freeze in combination with more licences, to ensure a steady, sustainable approach which gives drivers, operators and licence owners time to adjust.

Some stakeholders have argued for increased fares but there is no evidence from the increased fares in the past that drivers or operators would be better off.

“The taxi industry is complex and we have considered the diverse needs of passengers, drivers, operators and licence owners in formulating this approach,” Dr Boxall said. “If more taxi licences are not released, waiting times for customers will rise.”

After considering stakeholder feedback, IPART is also no longer recommending removal of the Sydney Harbour crossing return toll.

IPART is also recommending that maximum fares for other urban areas including Newcastle, Wollongong, Shellharbour, the Blue Mountains and the Central Coast continue to be the same as those in Sydney.

Submissions on IPART’s draft report are welcome until 31 January 2014. IPART will provide its final report in February 2014, with Transport for NSW to decide on the number of licences to be released by the end of March. New licences would be issued by electronic tender, with the prices being set by the amount each successful tenderer bids. IPART is not recommending any changes to these processes. Wheelchair Accessible Taxi licences also continue to be available on application from Transport for NSW for an annual licence fee of \$1,000.

The Draft Report, the consumer survey and other information on IPART’s review is available at IPART’s website <<http://www.ipart.nsw.gov.au>>.

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### Proposed maximum taxi fares 2014/15 (same as 2013/14 fare schedule)

| Fare component   | Rate                       |
|--|----------------------------|
| Hiring charge <sup>a</sup> (all times except Friday and Saturday nights and public holidays 10pm to 6am) | \$3.50                     |
| Peak hiring charge (Friday and Saturday nights and public holidays 10pm to 6am)                          | \$6.00                     |
| Standard distance rate (\$/km when the vehicle is travelling more than 26km/hr)                          | \$2.14                     |
| Night distance rate (\$/km when the vehicle is travelling more than 26km/hr, 10pm to 6am)                | \$2.57                     |
| Waiting time (\$/hr when vehicle is slower than 26 km/hr)  | \$55.30<br>(92.1c per min) |
| Booking fee (booked fares only)  | \$2.40                     |
| Maxi taxi surcharge (on total fare)  | 50%                        |

<sup>a</sup> The hiring charge was previously called the flag fall.

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

### Background information

- ▼ There are 2,579 active accredited operators in Sydney (as at 1 October 2013), most operating just one taxi. There are 19,237 authorised taxi drivers in Sydney (as at 1 October 2013). Not all are active.
- ▼ As at 1 October 2013 there were 5,739 taxi licences in Sydney in total, including unrestricted licences, peak availability licences and wheelchair-accessible taxi licences. The net gain in Sydney's taxi fleet between January 2010 and October 2013 was 508 licences, or just under 10%.
- ▼ Of the 5,739 total licences, 4,366 are perpetual or ordinary unrestricted and 342 are annual unrestricted taxi licences.
- ▼ In the 10 years between 2002 and 2012, the cost of leasing a taxi licence rose from \$20,000 to \$28,000 per year (in nominal terms) for the 60% of urban taxi operators who lease rather than own a licence.
- ▼ There were 502 tender bids for the 65 unrestricted licences released in 2013, and 508 tender bids for the 280 PALs. The demand for taxi licences continues to be high and the inability to obtain a licence continues to be a barrier to entry.
- ▼ Average annual licence costs have fallen by 1% since December 2012, or 3.4% in real terms taking inflation into account.
- ▼ Driver income does not change with fare changes. There is no evidence that driver income has increased with higher fares, and drivers will be no worse off if fares are frozen, even if costs like LPG fuel increase. As fares have increased, drivers have had to pay more to operators to "bail" the taxi for a shift. If revenue falls, the price drivers pay to bail the taxi should also fall.

- ▼ The IPART review does not specifically consider taxi network operations or the potential impact of new technology such as apps on network bookings, but considers that any changes that would increase competition for booking services should result in lower costs for taxi operators.
- ▼ Fares and waiting times are the two main barriers to taxi use according to a survey conducted by Taverner Research for the IPART review.
  - Cost: Of the 682 respondents who did not think about catching a taxi in the last six months, over half said the cost was one of the reasons why. Of the 726 who thought about catching a taxi but decided not to, three quarters reported that one of the reasons why was because they were too expensive.
  - Convenience –Of the 209 people surveyed who tried to catch a taxi but didn't, 24% gave up because the queue at the taxi rank was too long, 34% gave up because they didn't see any vacant taxis driving by, and 28% booked a taxi but it did not arrive.