

Taxi fare review roundtable 2013

Change in the level of fares

21 May 2013

Our draft decision on fare levels

- ▼ In Sydney and other urban areas we propose a small fare reduction (1% on average)
 - ▼ We made an adjustment to move fares closer to efficient levels
 - ▼ Fares were not directly based on the change in costs faced by the industry, as has been our past practice
- ▼ In country areas we propose no fare change until licence arrangements are reformed

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Why change our approach

- ▼ Over time, fares have become relatively expensive:
 - ▼ They have risen faster than CPI and WPI
 - ▼ They are the main reason people don't catch taxis
- ▼ Drivers and operators claim that their incomes are not rising as fast as fares and that taxi utilisation is falling
- ▼ Current fares are above the efficient level – licence lease costs have risen with fares and currently cost around 20% of fare revenue
- ▼ For Sydney, we can now consider licence numbers and fares together and take into account the interaction between them

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Why change our approach (cont.)

- ▼ The number of taxi licences and the level of fares are complementary – they should be considered together
- ▼ In the longer term, more licences and lower fares:
 - ▼ Increases passenger demand and taxi utilisation
 - ▼ Lowers inefficient licence lease costs
 - ▼ Moves us towards a lower cost, higher use taxi system
 - ▼ Is in the interests of passengers and the industry
- ▼ Raising fares will worsen the existing problems facing the industry – declining taxi use, falling productivity and higher costs per trip

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Why a 1% reduction in urban areas

- ▼ We used our taxi industry model to compare the outcomes we expect from different fares in terms of:
 - ▼ Affordability and waiting times for passengers
 - ▼ Taxi use – number of trips, taxi occupancy rates
 - ▼ Licence costs (which is also income for licence owners)
- ▼ The outcomes depend on both the level and structure of fares.
- ▼ There are trade-offs between the outcomes. We think our draft recommendations provide the best balance:
 - ▼ 6% lower waiting times and licence lease costs
 - ▼ 4% improvement in taxi occupancy and 6% more trips

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Why no change in country areas

- ▼ Past practice has more than likely led to inefficient fares in many country towns and contributed to high licence values
- ▼ But differences in costs – especially licence costs – across NSW mean that it may not be appropriate to reduce fares for everyone
- ▼ We recommend reform to country licence arrangements, beginning with areas that have licence values above \$200,000 – this needs to be done before we could consider an appropriate fare change

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Impact on drivers

- ▼ Revenue and costs per taxi will change – this will be different for each shift. We expect:
 - ▼ Net revenue for drivers to change by less than \$1 for most shifts but to fall on weeknight shifts (by \$10-\$15)
 - ▼ Up to 230 new taxis on the road on busy nights, and around 40 fewer taxis for quieter shifts
- ▼ We don't expect our proposal to reduce driver income. Instead, we expect drivers to reduce the amount they are willing to 'pay-in' to an operator to take the taxi for shifts where fare revenue is lower
- ▼ The transition to this may take time as drivers adjust their expectations about how much revenue can be earned in any given shift

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Impact on operators

- ▼ In the short term, operator income may fall as a result of the need to reduce pay-ins to attract drivers
- ▼ In the past, when fares and pay-ins have risen, licence lease costs have also risen. We expect this to work both ways – when fares and pay-ins fall, the cost of leasing a licence should also fall
- ▼ This may not happen straight away but it will happen more quickly if:
 - ▼ Licence owners will renegotiate existing leases with operators - industry bodies could promote this
 - ▼ Enough new licences are offered by TfNSW to give operators a lower cost alternative

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Questions for discussion

- ▼ What level of fare change do you support and why?
- ▼ What do you think is the right balance between outcomes for passengers and the industry?
- ▼ What would help the transition process for drivers and operators?

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Independent Pricing and Regulatory Tribunal





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Change in the structure of fares

21 May 2013

Our draft recommended fare schedule

		Current	Proposed
	Flag fall	\$3.50	\$4.00
	Distance rate	\$2.14 per km	\$2.00
	Night distance rate (20% surcharge)	\$2.57 per km (10 pm – 6 am)	\$2.40 (12 am – 5 am)
	Waiting time (\$/hour when vehicle slower than 26km/hour)	\$55.30 (92 c/min)	\$52.50 (87.5 c/min)
NEW	Peak surcharge		\$2.50 per trip (5 pm – 5 am Fri and Sat)
<i>No change</i>	Booking fee	\$2.40 per trip	\$2.40 per trip
<i>No change</i>	Maxi taxi surcharge	150% of fare on the meter	150% of fare on the meter

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Why we made these recommendations

Observations that:

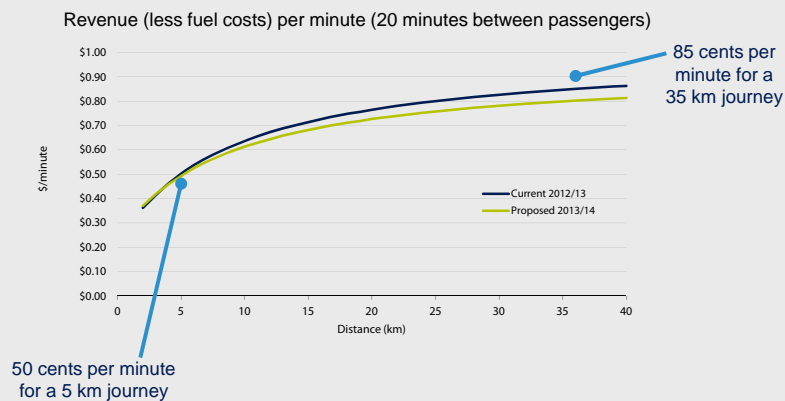
- ▼ The balance between short and long fares is wrong and leads drivers to prefer long fares and passengers to avoid them
- ▼ There are not enough taxis on the road during peak times on Friday and Saturday nights – and there are ‘too many’ on the road on weekday evenings
- ▼ The Harbour crossing return toll is unfair, inconsistent with the treatment of other tolls, and leads to confusion and disputes.

So we looked at ways to rebalance the incentives

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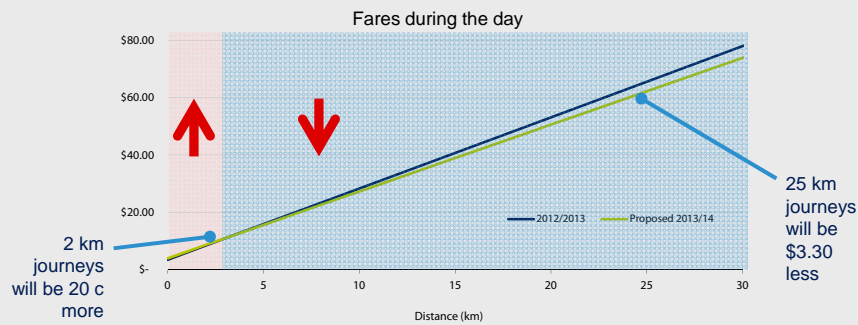
Short and long distance fares

- ▼ It is much more profitable to take long booked trips than short booked trips unless the time between passengers is less than 5 minutes



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Short and long distance fares



- ▼ The new relativities will improve the incentives for drivers to take short fares
- ▼ Long distance fares will be more competitive with hire cars

This should improve service for customers for short journeys and make long distance journeys more affordable

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Friday and Saturday nights

- ▼ The waiting times are longest on Friday and Saturday nights
- ▼ But less than 90% of taxis are on the road
- ▼ An additional 250 peak availability licences will be released from July
- ▼ Higher fares on Friday and Saturday nights would also encourage more taxis to be available during peak times
- ▼ We are recommending a \$2.50 surcharge to apply between **5 pm and 5 am** when demand is the highest

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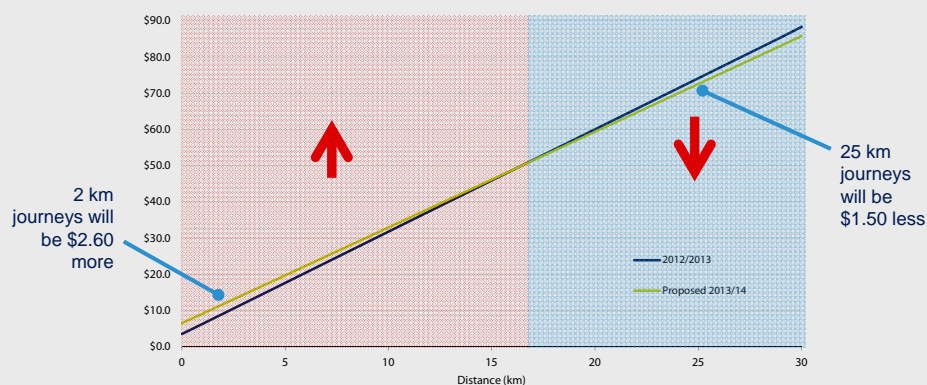
Friday and Saturday nights – after midnight

- ▼ Taxis may need an additional incentive to remain on the road after midnight on Friday and Saturday nights
 - ▼ PALs may be more inclined to work in earlier part of the shift (12 noon to 12 midnight)
 - ▼ Unrestricted night shift taxis may come off the road earlier if they can make more revenue between 3 pm and 12 midnight and avoid the perceived risks and inconvenience of driving after 12 midnight on Friday and Saturday nights.
- ▼ We are recommending that the 20% distance surcharge operate between 12 midnight and 5 am
- ▼ Other states also have additional incentives after midnight to ensure supply meets demand after this time

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Friday and Saturday nights – after midnight

Friday and Saturday nights – 12 am – 5 am



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Other nights of the week (Sun-Thurs)

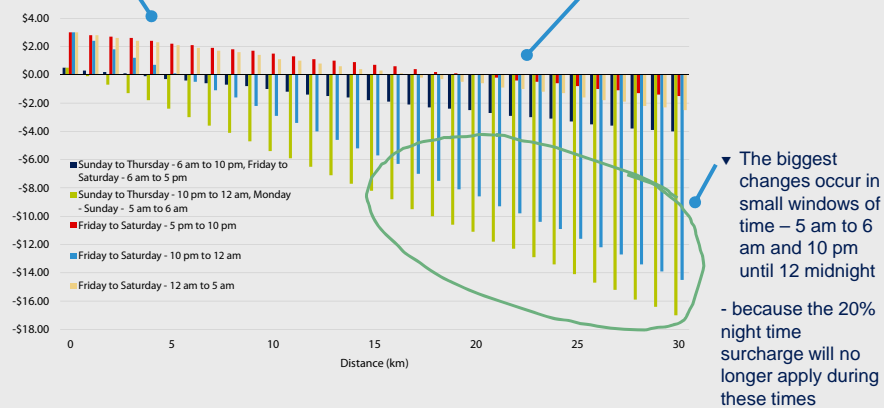
- ▼ Waiting times on other nights are lower than any other times across the week
- ▼ We suggested removing the 20% distance rate surcharge on other nights because taxis don't need this incentive to be on the road
- ▼ Instead we are recommending reducing the hours that the surcharge applies to discourage some taxis from being on the road to better match the supply of taxis with the lower level of demand.
- ▼ Retaining the surcharge with reduced hours between 12 midnight and 5 am means that the same hours will apply for the 20% surcharge across the week
 - ▼ also matches surcharge times in Melbourne

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Range of outcomes for different journeys, depending on when they are taken

Shorter journeys will be more expensive – up to \$3 more

Longer journeys will be cheaper



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We are recommending removing the Northbound Sydney Harbour toll

- ▼ Toll is charged to vehicles going in the Southbound direction, but taxi passengers are also charged when they go North across the harbour
 - ▼ taxis can get the toll twice if they get passengers in both directions
 - ▼ only road where passengers are charged for a toll that the vehicle does not incur
- ▼ Toll varies for different times of the day – toll is manually added by the driver at the end of the journey, not transparent for passengers
- ▼ If taxis return South across the harbour empty they will bear the costs of the toll
 - ▼ we expect additional costs to drivers to be offset by lower pay-ins and lower licence fees in the long run
 - ▼ no evidence to suggest taxis will be less inclined to travel North of the city

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Questions for discussion

- ▼ Should shorter fares be slightly more expensive and longer slightly cheaper?
- ▼ Should there be a peak surcharge on Friday and Saturday night?
- ▼ Is midnight until 5 am the right time for the 20% distance surcharge?
 - ▼ Do drivers need an additional incentive to be on the road after midnight on Friday and Saturday night?
 - ▼ Would reducing the hours from 10 pm until 6 am to 12am until 5 am discourage excess taxis from being on the road on other nights?
- ▼ Should the northbound Sydney Harbour bridge toll be removed?

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