

Taxis and the Cost of Fuel

A supplementary Submission from the Australian Taxi Drivers Association

IPART 2008 Fare Review

Taxis and the Cost of Fuel

Australia is in the midst of an upwards fuel price spiral. As of the end of May, predictions of \$2.00 a litre for petrol are being made. Diesel prices are following the same trend, and LPG is accelerating to the point where its cost efficiency is no longer a factor in taxi installations. IPART has made several suggestions to allow for fuel price volatility in taxi costs, and, as elsewhere, has been muddle-headed.

The draft recommendation is for a six monthly review, at end September, and adjust fares if LPG prices rise by more than 10%.

The cost to an Operator of such an adjustment is noted, but clearly not considered.

IPART has taken the figure of 59.2 cents per litre as the average cost to March 2008. What it fails to make clear is whether the 10% rise is to be calculated from that average price, or from the price at 31st March. If it is from the annual price then the trigger has already been pulled; if it is from the March 65.5 cent mark then there remains a massive lag in driver cost recovery. In either case the driver is already paying considerably more for fuel than the “current” review costs in as an expense.

The Taxi Council Limited’s suggestion that a current market price assessment be used as the base figure for calculation has the merit of getting rid of the inbuilt lag and recognizes the trend of upward prices.

The ATDA agrees and asserts the logic of a 70 cent LPG price factor in the index, with subsequent annual adjustments.

As it stands the fare increase proposed by IPART has been eaten up by LPG costs rises before it has even been applied. Short change indeed.

IPART persists in using a 5 kms/ litre usage on no more than the assertion of the first PriceWaterhouseCoopers analysis of 2000. The index derived then has been discarded and revised to such an extent that, by now, in the 2008 index review, IPART should surely have sought a more informed analysis. 5 kms/l may well be a motor vehicle commercials' claim for highway usage. It is invalid for congested city use. It is invalidated by Air Conditioning usage. It is made doubtful by a maintenance regime which does not have to account for fuel economy. And the addition of two kilometers of Waiting Time rates per trip must be accompanied by increased fuel consumption.

Why does IPART refuse to consider the 4.5 kms / litre reasonably proposed as a model cost ??

When will IPART take note that a significant proportion of taxis are using Diesel or Petrol instead of LPG, and do so because the vehicles used simply cannot fit an LPG tank or cannot use LPG ? It may make for a messy model, but is statistically sound.

The issue we take is that IPART is required to recommend fares which account for the cost of operating a taxi service. Where a single cost item relates to over 10 % of the drivers operating costs, and is a cost to be met daily; then that cost deserves fulsome attention. For an average motorist, the price spikes of petrol can be minimized by shopping around and changing the day-of-week purchase patterns. For a taxi driver, having to re-fill up to four times a day as a working requirement there is no such choice. To-night, Friday night May 23rd, I will be paying between 65 and 70 cents a litre. By July that will be 75 to 80 cents.

The 2008 fare must be structured with LPG at a base cost of 70 cents per litre.

IPART appears set on its invalid assumption of taxi drivers working a nine hour day. It double counts at least two of the kilometers traveled per trip to falsely claim an inflated average fare for no better reason than to falsely inflate fare revenue.

And then it wants to rip-off the \$3 return toll from the Northbound Harbour Crossing without any consideration as to cost impact on drivers. No way.

I want a fare that covers the costs, and expect that IPART sets a fare that meets its obligations.

A fair share of a fair fare.

**Michael Jools
President ATDA
Friday, May 23, 2008**