



Ref: 047/2009 PR

11 March 2009

Mr James Cox,
Chief Executive Officer and Full Time Member
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

IPART	
Doc No
File No

Dear Mr Cox,

2009 Review of Taxi Fares

Thank you for your letter of 12th February requesting our submission on the review of taxi fares to apply from July 2009.

I note the Tribunal has stated its intention to apply the inflators to the cost items and weightings set in the 2008 review. As these matters were subject to a comprehensive review of taxi costs in 2008 the Tribunal is not proposing to revisit the issues associated with choice of inflators or cost items and weightings in the current review.

This submission has been prepared taking into account the Tribunal's views on the cost index approach to recommending adjustments to taxi fares and the items, weights and inflators used in the cost index. In accordance with the Tribunal's stated intentions, this submission is much shorter and simpler than for previous taxi fare reviews.

The following responses are provided in relation to each of the topics listed in your letter.

1. Percentage change to taxi fares and distribution of the change among fare components.

The NSW Taxi Council has reproduced the 2008 taxi cost index as an attachment to this letter using the Tribunal's 2008 cost items, adjusted weights and inflators with one exception.

The weight of two items have been altered in the Urban Taxi Cost Index as it appears an error appeared in the Tribunal's final report regarding "Driver Entitlements in the

Contract Determination” and the corresponding balancing item: “Notional Self-funded entitlements”. The 2007 cost for the former item according to the Contract Determination should have been \$8926, and the balancing item \$2973. When adjusted by the WPI the corresponding figures that form the basis for weighting the index for 2008 become \$9239 and \$3077 respectively.

This correction only affects the weights of these two items in the urban taxi cost index. As the two items must come to the same total based on the Tribunal’s method of calculating the total value of driver entitlements, one item balances the other.

All other item weights in the Urban Taxi Cost Index are based on the Tribunal’s published 2008 version. The items and weights used in the Country Taxi Cost Index are also as published in the Tribunal’s final report. The totals do not match the Tribunal’s totals due to rounding adjustments.

The Tribunal’s inflators have also been used for both indices. Full-year data is not yet available for inflators published by the Australian Bureau of Statistics so data for these items remains incomplete. We have used the most recent data available at the time of writing and anticipate the Tribunal will include full-year data as it becomes available prior to the finalisation of the review.

Unpublished data on network fees and licence lease costs have been provided to the Tribunal in electronic form as commercial-in-confidence.

Based on the currently available data, the urban taxi cost index has increased by 4.1% and the country Taxi Cost index has increased by 4.0%.

When operator and driver costs are separated in the urban index, operator costs have increased by 5.1% and driver costs have increased by 3.3%.

The NSW Taxi Council has not applied this adjustment to propose new individual fare components in this submission because the final taxi cost index increase will differ to the current calculations based on incomplete data.

It remains the NSW Taxi Council’s view that adjustments should be applied evenly to each fare component bearing in mind the need to round the fixed components to 10c increments. The changeover speed for waiting time and distance rate should be the vehicle speed at which the fare accrues at a rate equal to the waiting time rate.

Once final data is included, the NSW Taxi Council would appreciate an opportunity to comment on the application of the final increase to individual fare components.

The NSW Taxi Council supports the use of a shadow fare for the purposes of implementing future fare adjustments to counteract the impact of rounding (to 10 cents) changes to the fixed components of the fare. Adjustments caused by rounding could otherwise have a compounding affect during subsequent fare adjustments.

2. Inflaters used in the Tribunal's 2008 Report

This submission applies the inflators used by the Tribunal in its 2008 report.

As foreshadowed in your letter, the NSW Taxi Council has written to the six country networks that have provided network fee data for previous reviews (Albury, Wagga Wagga, Bathurst, Coffs Harbour, Tamworth and Armidale) asking them to provide the following:

Figures and a statement prepared by their external auditor or accountant auditor that sets out:

- Current fees per taxi-cab charged to taxi operators that relate to the normal operational income of the network. The billing period also needs to be specified (e.g. monthly or 4-weekly).
- The fees are not to include amounts that only relate to cash-flow, e.g. principal repayments on loans, capital investment or raising equity.
- A statement to the effect that the above figures are true and accurate reflection of the fees charged to taxi operators (treated as income to the network) and exclude abnormal, capital or cash-flow only amounts. Also that the year-on-year comparisons are an accurate reflection of changes in charges to operators on a like-for-like basis.

Similar information is sought for the current and previous years for the purpose of calculating the inflator for networks fees in the Country Taxi Cost Index.

Due to the short time frame involved, this information has not yet been provided for all six country networks. Therefore the approach adopted by the Tribunal in 2008 has been used in this submission. The inflator for urban taxi network fees has been applied to the network fees in the country taxi cost index.

Fueltrac data has been used to calculate the inflator for LPG prices. The urban data includes LPG retail prices collected daily by Fueltrac for the area including; Sydney, Wollongong and Newcastle. The country data is equivalent data collected by Fueltrac for the remainder of New South Wales. The base period (2008 data) spans the period from 1/4/2007 until 31/5/2008 which corresponds with the period used by the

Tribunal to calculate average prices during the 2008 review of fares. The 2009 data spans the period 1/6/2008 until 28/2/2009.

3. Data on Network Fees and Plate lease costs

The NSW Taxi Council has supplied data on the same basis as in the 2008 review of fares for plate lease costs and for network fees.

Plate lease costs are provided by two of the major networks in Sydney on a monthly basis for the period April to March for 2007/2008 and 2008/2009. The average value for each year has been used to calculate the inflator.

Network fees have been supplied for all but one network in the Urban area. Average network fees for each year are calculated by weighting each network's fees by the number of taxi-cabs in that network.

It is suggested that during the next full revision of the taxi cost index, the additional network fees paid by WATs in Sydney relating to the centralised booking service should be taken into account. Currently these fees represent about 2% of the total costs of network fees in the index which is not significant enough to affect the weighting of this item. However, continued growth in the number of WAT vehicles means these additional fees will start to become a more significant part of the urban cost index in the future. Changes in these fees should also be included in the calculation for the inflator for this item.

4. Other issues

For the 2008 review of taxi fares, the Tribunal appears to have accepted the NSW Taxi Council's evidence in forming the view that taxi drivers are not able to make productivity improvements at the same rate as a conservative estimate of the gains made in the broader economy due to factors beyond the control of taxi drivers such as increasing traffic congestion, ongoing reductions in urban speed limits, and parking restrictions.

The NSW Taxi Council has made extensive submissions to the Tribunal on the topic of productivity for taxi drivers as part of previous fare reviews and the 2006 review of the form of regulation for the taxi industry. We will not revisit the issues in this submission and accept that the Tribunal has adopted a firm view of the matter.

It is our understanding that ABS figures reveal gross value added per hour worked in the Transport and Storage industry in Australia fell 1.0% in the year to June 2008. The corresponding figure for all industries increased 0.9%. The corresponding figures for the previous years were +4.1% and +0.7% respectively.

This submission has not included a value for productivity improvements in the taxi cost index. The ABS data shows that productivity rates have fallen by 5.1% in the transport sector whilst the rate has increased a mere 0.2% across all sectors. We therefore urge the Tribunal to continue to act very conservatively in regard to any changes to its previous productivity estimates applied to the taxi cost index.

We note that the Tribunal has applied productivity factors to labour cost items only as the inflators used to adjust other cost items already capture productivity factors for these index items. Where productivity is to be applied, we support the Tribunal's approach to apply factors to the individual labour cost items in the index to enable the impact on drivers and taxi operators to be assessed separately. This is required for the calculation of variations to the Contract Determination that follow as a result of a fare adjustment.

We would again emphasise the important of the Tribunal including clear statements regarding the impact measured by the urban taxi cost index on taxi operators' and taxi drivers' costs. Following any fare adjustment it is important that the NSW Industrial Relations Commission can obtain a clear understanding of how taxi operators and taxi drivers can be exactly compensated for their own cost increases by adjustments to maximum pay-ins and driver entitlements governed by the Contract Determination.

Thank you for inviting our input to the review.

Please feel free to contact me if you have any queries or require further information.

Yours sincerely



Peter Ramshaw
Deputy Chief Executive Officer

Urban Taxi Cost Index

	2008 Costs	Weights	Inflator	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 Entitlementments	\$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%

Country Taxi Cost Index

	2008 Costs	Weights	Inflator	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%