

TAXI FARE FREEZE RECOMMENDED AS INDUSTRY FACES INCREASING COMPETITION

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The Independent Pricing and Regulatory Tribunal (IPART) is recommending that the Government freeze taxi fares and maintain taxi licence numbers in Sydney in the face of increasing competition from hire cars, car sharing and other alternative point-to-point transport.

Research conducted as part of IPART's review of Sydney taxi fares and licences has found major changes in the way people use services such as hire cars with drivers, commercial car sharing and ride-sharing as alternatives to taxis.

IPART Chairman Dr Peter Boxall said a survey of Sydney residents has found that:

- ▼ the use of hire cars with drivers has grown from 14% of Sydney residents to 18% since 2012
- ▼ commercial car sharing services are now being used by 13% of Sydney residents, and
- ▼ in the six months that ride-sharing services have been operating in Sydney, they have been used by 11% of Sydney residents despite being illegal.

"Competition is changing the industry rapidly with consumers choosing services they regard as cheaper, more comfortable or more reliable," Dr Boxall said.

"As a result, changing consumer demand is driving down taxi licence lease costs faster than any regulatory changes."

"Demand for point-to-point transport is linked to population growth and business and tourism activity, and all the indications are that these sources of demand have continued to grow in Sydney since 2011, yet demand for taxi services has dropped over the same period. We can only conclude that this demand is being taken up by competitors to taxis."

"In this environment, increasing fares would simply encourage more passengers to choose alternative transport more often, further eroding the competitiveness of taxis."

Notwithstanding taxi fare increases in recent years, IPART's research shows that taxi drivers and operators are earning less now in real terms than they were in 2011, demonstrating that fare increases do not benefit drivers or operators.

In order to maintain the stock of Sydney taxi licences at its current level, IPART is also recommending releasing 40 unrestricted licences and 99 peak availability licences to replace those expected to be relinquished or not renewed during the year, as well as two fringe licences for Richmond/Windsor to replace two that were relinquished during 2014.

IPART is seeking public comment on its draft recommendations to freeze fares and maintain the number of taxi licences in Sydney at current levels for 2015/16. IPART is also recommending that a review of the regulations for all point-to-point transport be undertaken.

“We need to ensure that decisions about future taxi fares and licence numbers do not happen in isolation of these significant market changes,” Dr Boxall said.

“Competition has the potential to drive service improvements and more choice for consumers, but competitors should be operating on a level playing field. Appropriate regulation for safety and protection of drivers and consumers needs to apply to all services.”

IPART is seeking feedback on its proposed approach, including the draft recommendation that the NSW Government appoint an independent body to make recommendations on the regulation of point-to-point transport that:

- ▼ applies to all point-to-point transport services
- ▼ takes account of the impact of new technology
- ▼ focuses on the safety of drivers and passengers as well as customer protection
- ▼ encourages innovation and competition.

Submissions to the draft report will be accepted until 30 January 2015. The draft report and both the passenger and driver/operator surveys, along with further information about IPART’s review, is available at IPART’s website <<http://www.ipart.nsw.gov.au>>.

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Sydney taxis – fast facts

- ▼ Taxi fares rose 69% between 1999 and 2012, faster than the rate of inflation (CPI) and the rate of increase in labour costs in the economy (WPI).
- ▼ There are about 5,900 taxi licences in Sydney (5,909 as at 1 November 2014), up from about 5,650 in 2012 (5,647 as at 1 January 2013).
- ▼ Despite a drop in taxi demand, there has been an increase in demand for point-to-point transport, as indicated by the growth in Sydney's population (1.6% per year, 2008-2013), increase in numbers of passengers through Sydney airport (3% growth per year, 2008-2013) and growth in State final demand, an indicator of economic activity (2.8% per year, 2009-2014).
- ▼ Around 70% of taxi operators do not own a taxi licence but pay lease fees to the owner, or hold an annual taxi licence from Roads and Maritime Services. The average cost of leasing a taxi licence for a standard taxi in Sydney is around \$30,000 (including GST) a year. This is approximately 20% of the average total cost of keeping a taxi on the road for a year. Other costs include driver labour, fuel, insurance, car lease costs, maintenance, operator labour and network fees.
- ▼ The resale market value of a perpetual Sydney taxi licence rose from \$164,000 in 1989 to \$410,000 in 2012, falling to \$375,000 this year. Roads and Maritime Services data showed that the average price of annual taxi licences fell by almost 7% in real terms between 2012 and 2014, indicating that licence lease costs fell by that amount. IPART modelling shows that licence lease costs would have **increased** as a result of fare changes and licence releases over the past two years, and that competition is the driver of the observed falls in price.
- ▼ In the past two years, 345 additional annual peak availability licences (PALs) have been released to meet anticipated demand, yet the number of taxis on the road per shift is falling. Taxi fares have increased by 3.9% but drivers are now earning less (in real terms) than they were in 2011.