



Level 37, 2 Lonsdale St  
Melbourne 3000, Australia  
Telephone +61 3 9032 1300  
              +61 1300 664 969  
Facsimile +61 3 9032 1303

**TAXI FARE REVIEW 2013-14**

**CALL FOR IDEAS**

**SEPTEMBER 2013**

**An appropriate citation for this paper is:**

Essential Services Commission 2013, *Taxi fare review 2013-14*, Call for Ideas, September 2013.

## CHAIRPERSON'S INVITATION TO READERS

The Commission is now fully responsible for determining the maximum taxi fares that will apply in the industry. At the latest, we must make our first determination by 1 July 2014. After this first determination, the Commission will reconsider taxi fares within every two years thereafter.

Our taxi fare review will need to move in tandem with the many other reforms announced by Government. During each of our fare reviews, we will need to be mindful of the reforms already implemented and those still to come, as well as the way the industry and customers have adapted to those changes. We can be sure changes are coming. What is less clear, however, is precisely how those changes will unfold. In undertaking such reviews, the Commission places a great deal of importance on engaging with anyone who is interested in the topic at hand. No-one has a monopoly on good ideas. With many thousands of individuals involved in providing taxi services to Victorians, and with over 26 million taxi trips taken by passengers each year, we expect there will be great interest in our review of taxi fares. We welcome that involvement.

We also appreciate that this industry has been the subject of detailed review for some time and that there is probably little appetite for another lengthy paper from yet another government agency. On that basis, we have kept this paper very short. There will be plenty of time later for detailed reports.

For now, our focus is on ideas. We have no preconceived ideas on how taxi fares should be structured and are open to all well supported suggestions. We are looking for ideas about the future of taxi fares. We are looking for ideas big and small; ideas about what can be done now and ideas about what ought to be done in the future. We are looking for ideas that help make taxi services a more attractive option for customers while ensuring the ongoing viability of an industry to provide those services. Indeed, we are looking for ideas about what those services might even look like as the industry and customers respond to the broader reform agenda.

There are big challenges ahead but even bigger opportunities. We want to hear about those opportunities and how our role in setting taxi fares can support the realisation of those opportunities.

I invite anyone with an interest in using or providing taxi services to write to the Commission: to share with us your ideas about the future and how taxi fares might need to be reviewed in light of that future. Importantly, when submitting your ideas, we would be very grateful if you could also point us towards any relevant evidence in support of those ideas.

We will consider all ideas put forward by readers and assess how well they achieve a good balance of outcomes across the range of matters to which we must have regard in performing our legislated role in setting maximum taxi fares.

In anticipation of your submissions responding to this *Call for Ideas*, my team and I say, "Thank you". We look forward to discussing and debating these ideas with you in the months ahead.

Dr Ron Ben-David

**Chairperson**

# CALL FOR IDEAS

## Indicative timelines

The table below provides an indicative timeline of the Commission's process between now and its first fare determination.

<i>Review process</i>	<i>Earliest timing</i>	<i>Latest timing</i>
Transport Act amendments (Royal Assent)		28 Jun 2013
Call for ideas paper release		10 Sep 2013
Submissions on call for ideas paper due		8 Oct 2013
Principles paper release		mid Oct 2013
Draft report release	mid Feb 2014	late Mar 2014
Submissions on draft report	early Mar 2014	Apr 2014
Fare Determination and Future Directions	late Mar 2014	late May 2014

We appreciate a sooner decision would be welcomed by the industry. The table above shows the earliest and latest dates for the various stages of our process.

**Whether we are able to achieve the more ambitious (earlier) timeline will be completely dependent on the level of cooperation we receive from all relevant parties. Most importantly, it will depend on quality and reliability of the data provided to the Commission in the weeks and months ahead; and whether that data is provided in a timely manner.**

Throughout the months ahead, we will be seeking the views of all interested parties. This will be through: direct discussions, industry roundtables, public forums, surveys and written submissions.

## The Essential Services Commission

The Essential Services Commission (the Commission) is Victoria's independent regulator of essential services. The Commission's responsibilities span a number of industries, including taxis and hire cars, electricity, gas, water, ports and rail.

The Commission has undertaken taxi fare reviews in 2005 and 2008, and is familiar with the many complexities and challenges faced by the industry. Indeed,

quite a number of the Taxi Industry Inquiry's findings and recommendations can trace their origins to the Commission's earlier reviews.

## **The Commission's role under the taxi reforms**

Following the Victorian Taxi Industry Inquiry and the passing of legislation (the *Transport Legislation Amendment (Foundation Taxi and Hire Car Reforms) Act 2013*) implementing the Government's taxi reforms, the Commission has a new role in taxi fare setting.

Previously, the Commission only provided advice to the Minister for Public Transport who was responsible for setting fares. Under the new *Transport (Compliance and Miscellaneous) Act 1983*, the Commission will be fully responsible for determining *maximum* taxi fares. The Act requires the Commission to finalise its first determination of maximum taxi fares by 1 July 2014 at the latest.

With this fare review being the Commission's first under the new legislation, we note that our review is taking place against the backdrop of the Government's broader implementation of taxi industry reforms. These reforms are in the process of being implemented by the Victorian Government and the Taxi Services Commission. They include:

- new arrangements for release of taxi licences
- new arrangements for release of pre booked only (PBO) licences
- removal of mandatory network affiliation
- more flexible regulatory arrangements to encourage new, innovative services
- new driver agreements providing drivers with a minimum 55 per cent share of the farebox and
- changes to the functionality of taxi meters.

These reforms will continue to influence the operation and development of the taxi market in the times ahead. We will need to consider how the reforms impact on the determination of maximum taxi fares. For example, new regulatory arrangements for taxi and PBO licensing may alter the current supply of these services. These market outcomes could then have implications for how fares need to be adjusted. The Commission will also need to consider how customers respond to fare changes and the taxi reforms more broadly. For example, we will need to carefully assess the extent to which changes to fare structure and or increases in fare levels impact on supply of, and demand for, taxi services.

As these broader reforms are implemented over time, the Commission will liaise closely with users and providers of taxi services, and also the Taxi Services Commission, to understand the impact of these reforms on the market.

The Commission also notes that many industry participants have expressed a desire for a quick fare determination. Our ability to make a quick decision will depend on access to reliable data and information. To this end, the Commission will rely on industry participants (e.g. network service providers, operators and drivers) to provide relevant information.

## Invitation for ideas and information

Effective stakeholder engagement is an important feature of the Commission's review process. As a first step in this taxi fare review and recognising the tight timelines for the review, the Commission is keen to garner any ideas and views that users and service providers have on the future development of taxi services. Of course, we would appreciate being provided with any information that may be relevant and useful to our role in determining maximum taxi fares.

Without limiting the matters stakeholders may wish to submit, we encourage readers to provide any views and ideas that they may have on matters, such as:

### *Questions to all stakeholders*

What are the priorities and immediate issues that we should address as part of our fare setting role?

What are the elements of a good fare structure? What are the impediments to a good fare structure? How can they be resolved?

How can the fare structure be improved, for example:

- what are the right incentives to incorporate into the fare structure?
- are there any adverse incentives that need to be removed?

What is a sustainable level of taxi fares, i.e. what level of fares is required to ensure the industry in aggregate is financially viable while also ensuring taxi services are still widely used by passengers?

What fares will the customers of taxis be willing to pay to continue using taxis?

Does the current fare structure make drivers indifferent between short and long trips? If not, how could it be restructured?

Should the flagfall rate be increased and distance charge decreased, e.g. to address short fare refusals and overcrowding of taxis at the airport? If so, by how much? And when?

When are the peak periods of taxi demand?

*Questions to all stakeholders (cont.)*

How could peak and off peak fares be adjusted to better match supply and demand for taxi services and ensure services are not adversely affected by changes in operator returns due to the new driver agreement? For example, if Friday and Saturday nights represent peak periods, how much should fares at these times be increased, and what level of decrease in fares during off peak times should offset this? Are there other peak periods?

How can the multiple hire fare be simplified to assist the industry provide flexible and innovative share-ride type services?

Is there merit in having a *minimum fare* for certain trips, or for trips within a particular geographical region? What are examples of such trips, and what would be a reasonable fare? Similarly, is there merit in having a *fixed fare* for trips from particular origins, or for trips within a particular geographical region?

Is there a need to increase patronage to taxi services? If so, what can the industry do to increase patronage and what role should fare structure play?

Are there any unique issues within the industry that we must take into account in setting fares?

The preceding questions are likely to be relevant to all stakeholders. The Commission also presents questions that it believes are especially relevant to specific industry stakeholders, as detailed below.

*Questions to customers*

Do you consider current taxi fares to be low, reasonable or too high? Why?

Should fares be increased during peak periods? When are these peak periods and what affect would higher fares at these times have on your demand for taxis?

Have you experienced a trip refusal, e.g. a driver refused your trip because it was considered too short or too long. What was the nature of the refused trip? Are trip refusals a frequent occurrence?

Under what circumstances would a higher flagfall discourage you from taking a taxi? Under what circumstances would a higher flagfall and lower rate per kilometre change the way you use taxis?

If fares were lower during off peak periods, would you use taxis more often?

### *Questions to drivers*

What approach do you take to getting fares? For example, how do you decide between rank and hail (in city or suburbs), phone bookings or fares from Melbourne Airport?

How does your approach to getting fares vary depending on time of day and day of week?

When are taxi queues at Melbourne Airport longest? How does taxi waiting time in the queue vary during the day? How long are you willing to wait at the airport for a fare? How do waiting times and fares from the airport compare to other locations? How does the fare structure influence your decision to wait at the airport?

How can the fare structure provide a reasonable balance of returns between short and long trips? What fare structure will leave you indifferent between trips so as not to encourage fare refusals or an inefficient number of taxis queuing at the airport?

### *Questions to operators*

What are the major cost components of operating a taxi? How have these costs changed since 2008?

How does the fare structure interact with your ability to engage sufficient drivers for your taxi(s)? If you have experienced difficulties engaging drivers, what fare structure solutions do you think are available?

### *Questions to network service providers*

What are the services that a network service provider supplies?

What is the outlook for the level of network fees payable by members?

Are there particular trips that are difficult to assign to drivers or are refused by drivers? What is the nature of these trips? Could a change to the fare structure address some of these issues?

*Questions to WAT service providers and users*

What is the level of service quality performance for standard and wheelchair accessible taxis (WATs)? How does performance vary between peak and non peak periods for standard taxis and WATs? Have you had difficulties booking a wheelchair accessible or high occupancy taxi? Can you provide examples? How can the fare structure influence service quality outcomes?

Does the current fare structure cause or contribute to operators/drivers of WATs seeking longer trips, including by queuing at Melbourne Airport? When the queue is at its longest, how many taxis are waiting at Melbourne Airport and how long on average do taxis wait in the queue?

Should the tariff 3 surcharge on the distance and waiting time rate be replaced with a flat fee? If so, at what level should the flat fee be set?

In addition to the Taxi Industry Inquiry's recommended Centralised Booking System for WATs, are there any fare related incentives the Commission should consider to improve availability of WATs for wheelchair bookings?

On average, how long does it take to load and unload a passenger using a wheelchair or other mobility aid? Is the lifting fee reasonable?

To what extent do costs vary between standard taxis and WATs. For example, how do fuel costs differ, and what is the cost of fitting out a WAT?

## **Process to submit ideas to the Commission**

The Commission invites stakeholders to submit information and ideas that stakeholders' believe could assist the Commission in its task.

**Interested parties are requested to send their written submission or comments to the Commission by 8 October 2013.**

Submissions should be emailed to: **taxifares@esc.vic.gov.au**.

You can also send comments by fax (03) 9032 1303 or by mail, marked

Submission to Taxi Fare Review  
Essential Services Commission  
Level 37, 2 Lonsdale St  
Melbourne VIC 3000

Any questions about this paper or review can be directed to Andrew Chow, Director Transport on 9032 1323 or Nick Hague, Project Manager on 9032 1344.

## ***Publication of submissions***

The Commission's normal practice is to make all submissions publicly available on its website. If there is information that you do not wish to be disclosed publicly on the basis that it is confidential or commercially sensitive, this should be clearly identified in the submission.