



**Minister for Public Transport
Minister for the Arts**

MBN010693

Mr Greg Wilson
Chairman
Essential Services Commission
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Our Ref:

Dear Mr Wilson

ESC REVIEW OF TAXI FARE STRUCTURES – IMPACT OF LPG PRICING TRENDS

I refer to the Review of taxi fares being undertaken by the ESC in accordance with the terms of reference issued by the Hon Lynne Kosky, MP, the Minister for Public Transport in a letter dated 19 September 2007.

The taxi industry has raised concerns about the impact of recent increases in the price of LPG operating costs. In the interests of maintaining a sustainable and viable taxi industry, I have decided under the provisions of section 186(5) of the *Transport Act 1983* to amend the terms of reference previously provided to the Commission.

In addition to those matters set out in the current terms of reference I now request the Commission to specifically consider as a matter of urgency:

- The impact of further and sustained upward pressure on liquid petroleum gas (LPG) costs on taxi operators;
- Whether an immediate interim fare increase is warranted to offset rising LPG costs;
- Which (if any) fare components should be varied in the light of these costs, and the magnitude of such variations; and
- The impact on the taxi industry, including licence holders, assignment holders, drivers and employees of an interim fare increase to offset these costs.

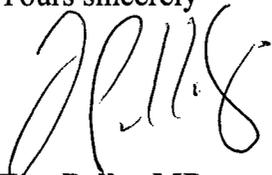
I have attached an amended terms of reference for the review which will be published in the Government Gazette.

In view of the cost pressures on the industry and the urgent request by the Victorian Taxi Association (VTA) regarding the increase in the price of LPG, I would appreciate the Commission submitting recommendations regarding an interim rise in taxi fares to offset the cost of LPG by 31 January 2008, or as soon as possible thereafter.

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If you require further information during this review, please contact Brendan Kaufmann, Acting Manager Operational Strategy and Policy of the Department of Infrastructure on telephone (03) 9320 4146.

Yours sincerely



Tim Pallas MP
Acting Minister for Public Transport

14 JAN 2008

Transport Act 1983

Review of Taxi Fares 2007/8

I, Tim Pallas MP, Acting Minister for Public Transport give notice that in accordance with the provisions of section 186 of the Transport Act 1983, I have asked the Essential Services Commission to conduct an investigation into Victoria's taxi-cab fares and report on:

- i. the impact of further and sustained upward pressure on liquid petroleum gas (LPG) costs on taxi operators;
- ii. an appropriate price setting model to provide for automated fare adjustments for the next 3-5 years, including the timing of such adjustments;
- iii. the appropriateness of the taxi fare structure within the current market for taxi-cab services in Victoria;
- iv. whether a surcharge on taxi fares on New Year's Eve should form a permanent part of the taxi fare structure for non-metropolitan taxi-cabs and, if so, the amount of such surcharge;
- v. whether a surcharge on taxi fares should form a permanent part of the taxi fare structure where the hirer pre-books and is supplied a premium service taxi and, if so, the amount of such surcharge;
- vi. the distribution of taxi fare revenue and measures that may be considered by Government to improve taxi driver remuneration; and
- vii. information reporting by the taxi industry and performance measurement.

In its investigation and report, the Commission is to have regard to the following factors:

- a) the cost pressures on the industry regarding the increase in the price of LPG,
- b) the recommendations contained in the Commission's Report - "Taxi Fare Review 2005" and the subsequent application of the CPI-X pricing model to taxi fares in 2006 and proposed to be applied in 2007;
- c) the review of the regulatory structure and operations of Victoria's country taxi industry undertaken by the Department of Infrastructure during 2005/06;
- d) the relevance and values of the individual components that, when combined in part or in full, make up the total taxi hiring charge - specifically these are the flagfall, time and distance rate, phone booking fee, Late Night Surcharge (metropolitan taxi-cabs only), Late Night Extra (non-metropolitan taxi-cabs), New Year's Eve taxi fare surcharge (non-metropolitan taxi-cabs) and any Premium Service Surcharge currently applied in accordance with permit conditions issued by the VTD;
- e) the impact on Victorian business and the community including the impact of any proposed variations to taxi fares on the availability and affordability of taxi services to consumers; and
- f) the impact on taxi industry participants including licence holders, taxi operators, drivers and employees.

The following directions have been given under section 186 (4) of the Act:

- In conducting the investigation the Commission should have regard to the objectives in section 8 of the Essential Services Commission Act 2001 where relevant.
- Except as otherwise directed by the terms of reference, the Commission is to conduct the investigation in a manner as described in section 187 of the Transport Act 1983.
- The Commission is to provide an interim report in respect of (i) above by 31 January 2008 (or as soon as possible thereafter) and is to submit its final report to the Minister for Public Transport by 30 June 2008.

This notice supersedes the terms of reference [Review of Taxi fares 2007/08] published in the Victoria Government Gazette on 14 September 2007.

Tim Pallas MP
Acting Minister for Public Transport