

Essential Services Commission

Taxi Operator Cost Survey

June 2022

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METHODOLOGY OVERVIEW

Research Methodology

The Essential Services Commission, in conjunction with Honeycomb Strategy, conducted a series of in-depth interviews as well as a survey of taxi operators in May 2022.

Prior to the commencement of the survey, a series of 4 in-depth interviews were conducted with multi-taxi operators selected by the Essential Services Commission, contextualising market dynamics¹.

The survey invitation was sent to taxi operators via email and the survey was completed online. On average, the survey took 16 minutes for taxi operators to complete. The survey questions were generally kept consistent with the prior 2014 research to ensure comparability of data.

A total of 355 taxi operators completed the survey however, not all operators answered all questions. A full list of response rates by question is provided in the table below. A total of 728 taxis were accounted for within the survey.

Of the taxi operators who completed the survey, 279 were operating in Metro Melbourne and 108 were operating in outer suburban (e.g. Frankston and Dandenong) or urban areas (e.g. Ballarat, Bendigo and Geelong). For reporting purposes, we have aggregated these areas into the Outer Victoria region.

To align with the previous reporting, our data is presented weighted, reflecting the number of taxis operated by the operators who responded to the survey. The unweighted data for Standard Taxis and Wheelchair Accessible Taxis (WAT) has been shown for reference only, representing the costs per taxi for each survey received².

To exclude the impact of outliers, the trimmed mean is presented throughout which excludes the highest 5 per cent and the lowest 5 per cent of responses.

¹ The commission invited 13 taxi operators to participate in the in-depth interviews.

² Standard taxis are also referred to as conventional taxis as shown in the commission's draft decision paper for the unbooked taxi fare review 2022.

QUALITATIVE IN-DEPTH INTERVIEW SUMMARY

Prior to commencing the survey, Honeycomb Strategy conducted 4 in-depth interviews with multi-taxi operators in Victoria.

The interviews were conducted via online video call for approximately 45 minutes, designed to inform the market landscape and contextualise survey findings. Key themes emerging from the interviews are summarised below.

Operators reflect on the industry as having experienced many challenges in the past few years, most notably:

- Lockdowns dramatically impacted the number of people on the streets, limiting hail and rank taxi fares. While some shifted to doing parcel delivery, this rarely made up for their financial losses.
- Taxi wages have fallen further behind CPI increases, limiting how much drivers can earn, and therefore the industry's ability to attract new drivers.
- Consumer behaviour has shifted, with an expectation that vehicles will arrive within minutes rather than hours, leading to many shifting over to the rideshare alternatives.

Prior to COVID there was an influx of drivers, and the industry was looking to be growing. Post COVID many drivers have left the industry, leading to a major driver shortage and challenges to the taxi operator industry.

- Brand perceptions of the taxi industry have taken a hit, as the public are seeing less taxis on the road, experiencing longer wait times, and the increase in rideshare alternatives.
- Operators believe the regulator to have no visibility of actual active driver numbers and are therefore not able to quantify the extent of the driver shortage.

There has been a strong move away from Petrol and LPG towards hybrid alternatives, changing the way operators account for cost structure.

- With the move towards more environmental car alternatives, ongoing costs are much lower, primarily due to reduced fuel costs. However, the initial purchase cost as well as expensive maintenance (e.g. battery replacements) are far greater.
- In recent years, operators have also noted that LPG gas is not as cheap as it once was, meaning those that invested in converting their cars are not seeing a positive return on investment.
- Despite increased interest in electric vehicles, overall sentiment is that there isn't the necessary infrastructure to support fully electric taxis that drive 100s or 1000s of kilometres a day.

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Wheelchair accessible taxis (WAT) are perceived to also be facing unique challenges:

- Changes in standards for wheelchair accessible taxis have led to a substantial increase in upfront costs. Additionally, there is a lack of available vehicles, further increasing the price of second-hand vehicles.
- Operators are faced with higher insurance costs due to higher vehicle costs and insurance requirements.
- Wheelchair accessible taxis require more frequent maintenance and safety checks, increasing operator costs.

SURVEY RESPONSE RATES

A total of 355 operators completed the survey, however not all operators completed all cost questions.

Cost Item	Number of responses	Per cent
Fuel Costs		
Responded to question	328	92%
No response provided	27	8%
Network Costs		
Responded to question	320	90%
No response provided	35	10%
Insurance Costs		
Responded to question	338	95%
No response provided	17	5%
Repairs & Maintenance Costs		
Responded to one question	354	100%
Responded to two questions	348	98%
Responded to three questions	338	95%
No response provided	1	0%
Administration Costs		
Responded to one question	351	99%
Responded to two questions	350	99%
Responded to three questions	341	96%
No response provided	4	1%
Vehicle Costs		
Responded to one question	336	95%
Responded to two questions	281	79%
No response provided	19	5%
Building Costs		
Responded to question	351	99%
No response provided	4	1%

Respondent Profile

The 355 operators who completed the survey represent a total of 728 taxis.

Taxis accounted for within the survey	Count
Standard / Conventional Taxis	503
Premium Taxis	69
WAT	94
Maxi Taxi	62

Operators included those within metro Melbourne, as well as the outer region consisting of Ballarat, Bendigo, Geelong, Frankston and Dandenong areas.

Region	Count
Metro Melbourne	279
Outer Region	108

The majority of operators who responded to the survey have one taxi and are also a driver.

Number of Taxis	Count
One taxi	303
Two or more taxis	46
Ten or more taxis	4

Driver	Count
Yes	344
No	11

Bailee Drivers	Count
Have Bailee Drivers	50
No	305

More than half of standard taxis captured within the survey are a petrol/electric hybrid. Diesel is the most common fuel type for WATs captured within the survey.

Standard Taxi Fuel Type (weighted)	Per cent
Petrol / electric hybrid	51%
LPG	23%
Petrol	17%
Diesel	9%
Electric	0%

WAT Taxi Fuel Type (weighted)	Per cent
Diesel	44%
Petrol / electric hybrid	22%
LPG	20%
Petrol	14%
Electric	0%

OPERATOR COSTS – STANDARD TAXI: ALL ZONES

Consistent with prior years, the overall costs for a standard/conventional taxi takes into account the cost of fuel, network fees, insurance, repairs and maintenance, administration, vehicle costs, registration/TAC and building costs.

This includes information from operators, even if the operator did not respond to all cost questions. The unweighted data is representative of responses of each individual operator with a Standard Taxi.

Standard Taxi Costs – All Zones (Unweighted)

Unweighted, administration and network costs were the largest expenses reported by Standard Taxi operators, followed by fuel and repairs.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$5,370	\$5,118	\$5,622
Network	\$7,523	\$7,090	\$7,957
Insurance	\$2,309	\$2,176	\$2,441
Repairs and maintenance	\$5,198	\$4,886	\$6,142
Administration	\$7,804	\$4,034	\$5,838
Vehicle cost	\$4,702	\$4,378	\$4,941
Registration / TAC	\$818	\$818	\$818
Building costs	\$1,018	\$382	\$1,653
Total Operating Cost	\$34,741	\$28,884	\$35,412

Standard Taxi Costs – All Zones (Weighted)

The weighted data costs are adjusted to reflect the total number of standard taxis represented within the study.

When weighted, network costs remain the largest expense for standard taxi operators, followed by fuel and the annualised vehicle cost. On average, operators reported the annual cost of operating a standard taxi to be in the order of \$32,000 per year.

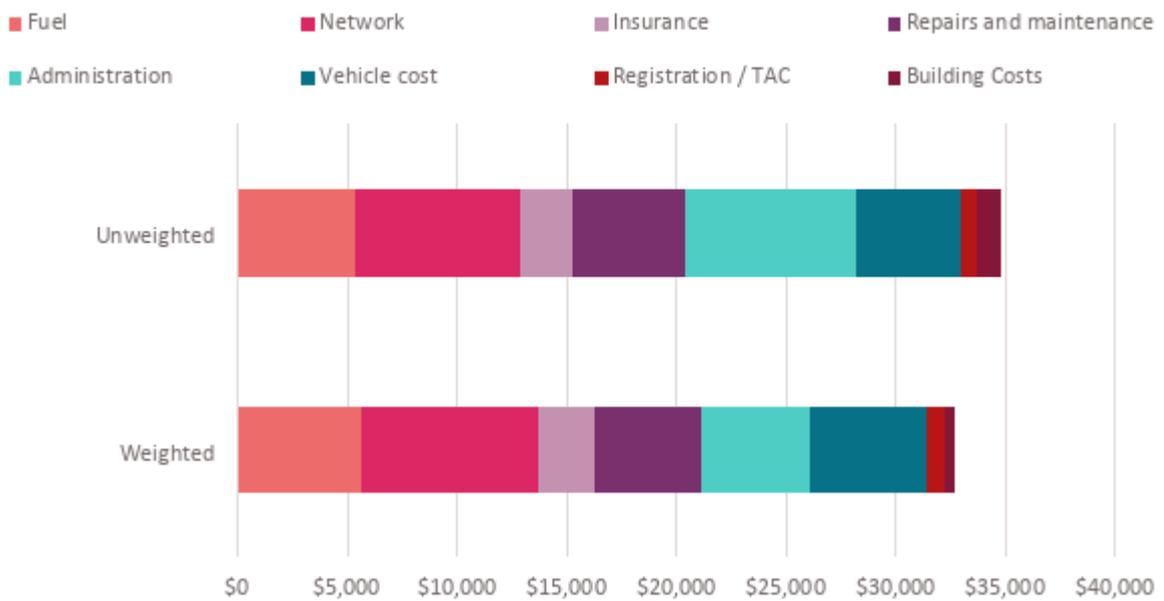
Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$5,624	\$5,367	\$5,881
Network	\$8,039	\$7,499	\$8,580
Insurance	\$2,572	\$2,221	\$2,923
Repairs and maintenance	\$4,850	\$2,564	\$6,639
Administration	\$4,939	\$2,466	\$7,413
Vehicle cost	\$5,339	\$4,706	\$5,973
Registration / TAC	\$818	\$818	\$818

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Building costs	\$534	\$177	\$891
Total Operating Cost	\$32,716	\$25,818	\$39,118

Average Standard Taxi Operator Costs – All Zones (Unweighted vs Weighted)

The chart of Average Standard Taxi Operator Costs (Unweighted vs Weighted) shows the mean costs before and after weighting. Once the weighting is applied to represent the total number of standard taxis captured within the survey, the overall annual cost slightly decreases.



OPERATOR COSTS - STANDARD TAXI: BY ZONE

To determine if the costs may differ by the zone in which the taxi operates, we are able to compare standard/conventional taxi costs within the Melbourne metropolitan zone to those in the outer zone consisting of outer suburban (e.g. Frankston and Dandenong) and urban areas (e.g. Ballarat, Bendigo and Geelong)³.

Insufficient responses were recorded by operators with a WAT, premium or maxi taxi by region to meaningfully report on the data.

Standard Taxi Costs – Metro Zone (Weighted)

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$5,196	\$4,801	\$5,592
Network	\$7,752	\$7,030	\$8,474
Insurance	\$2,395	\$1,844	\$2,947
Repairs and maintenance	\$6,299	\$4,414	\$7,511
Administration	\$4,947	\$3,343	\$5,364
Vehicle cost	\$4,886	\$4,251	\$5,522
Registration / TAC	\$818	\$818	\$818
Building costs	\$589	\$275	\$902
Total Operating Cost	\$32,883	\$26,776	\$37,129

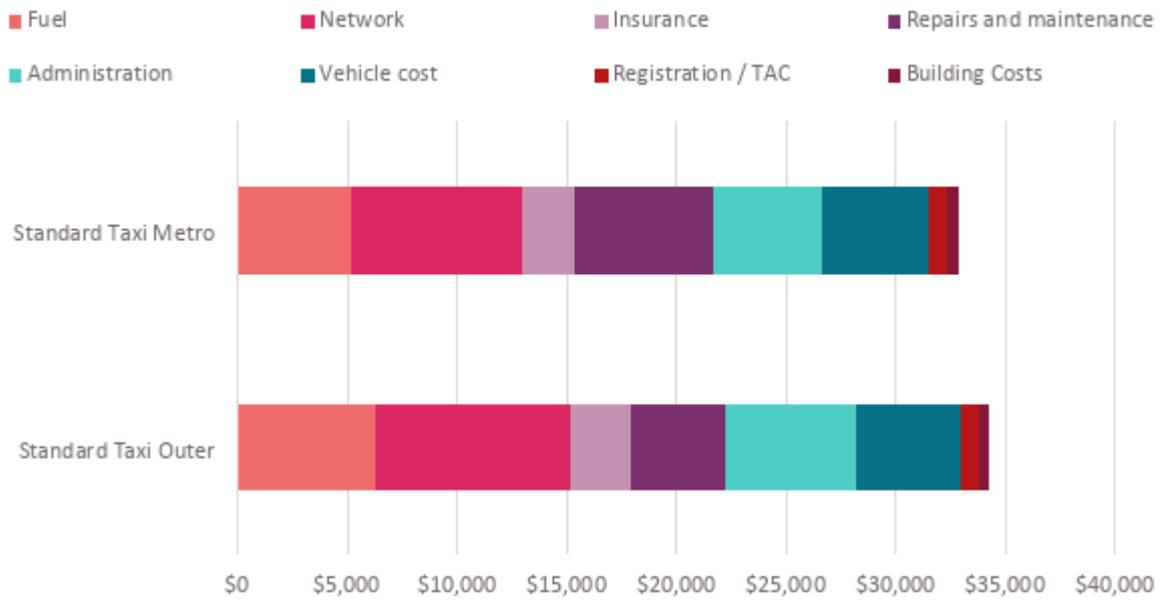
Standard Taxi Costs - Outer Zone (Weighted)

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$6,209	\$5,959	\$6,459
Network	\$8,921	\$8,159	\$9,683
Insurance	\$2,760	\$2,588	\$2,931
Repairs and maintenance	\$4,294	\$2,708	\$5,610
Administration	\$5,980	\$2,844	\$7,818
Vehicle cost	\$4,804	\$4,310	\$5,297
Registration / TAC	\$818	\$818	\$818
Building costs	\$447	\$190	\$703
Total Operating Cost	\$34,232	\$27,577	\$39,319

³ In the commission's draft decision for the unbooked taxi fare review 2022, Frankston, Dandenong, Mornington Peninsula, Geelong, Ballarat and Bendigo are referred to as urban and large regional zones.

Average Standard Taxi Costs – Metro vs Outer Zones (Weighted)

The results suggest costs reported by standard taxi operators within the metro and outer zones are relatively similar.



OPERATOR COSTS - STANDARD TAXI: SINGLE VS MULTI-TAXI OPERATORS

Single-taxi operators are those that reported having just one taxi. Multi-taxi operators are those that reported having 2 or more taxis.

The standard taxi costs can be compared between single-taxi and multi-taxi operators to identify if having a larger fleet incurs a greater expense or allows for efficiencies of scale across the cost factors.

The data suggests that multi-operator costs are slightly higher than single operators, driven by higher network, repair and administration costs.

The increase in repair costs among multi-taxi operators is primarily attributed to expenses incurred in operating their own workshop. 76% of multi-taxi operators compared to just 11% of single-taxi operators report incurring costs to operate their own workshop.

Similarly, the increase in administration costs among multi-taxi operators is primarily attributed to staffing expenses, with 75% of multi-taxi operators reporting staffing costs to support with administration vs just 6% of single-taxi operators.

Standard Taxi Costs – Single Taxi Operator (Weighted)

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$5,264	\$4,983	\$5,545
Network	\$7,256	\$6,799	\$7,714
Insurance	\$2,189	\$2,060	\$2,317
Repairs and maintenance	\$4,693	\$4,430	\$4,956
Administration	\$3,982	\$3,840	\$4,125
Vehicle cost	\$4,661	\$4,351	\$4,971
Registration / TAC	\$818	\$818	\$818
Building costs	\$245	\$106	\$384
Total Operating Cost	\$29,108	\$27,387	\$30,829

Standard Taxi Costs – Multi-Taxi Operator (Weighted)

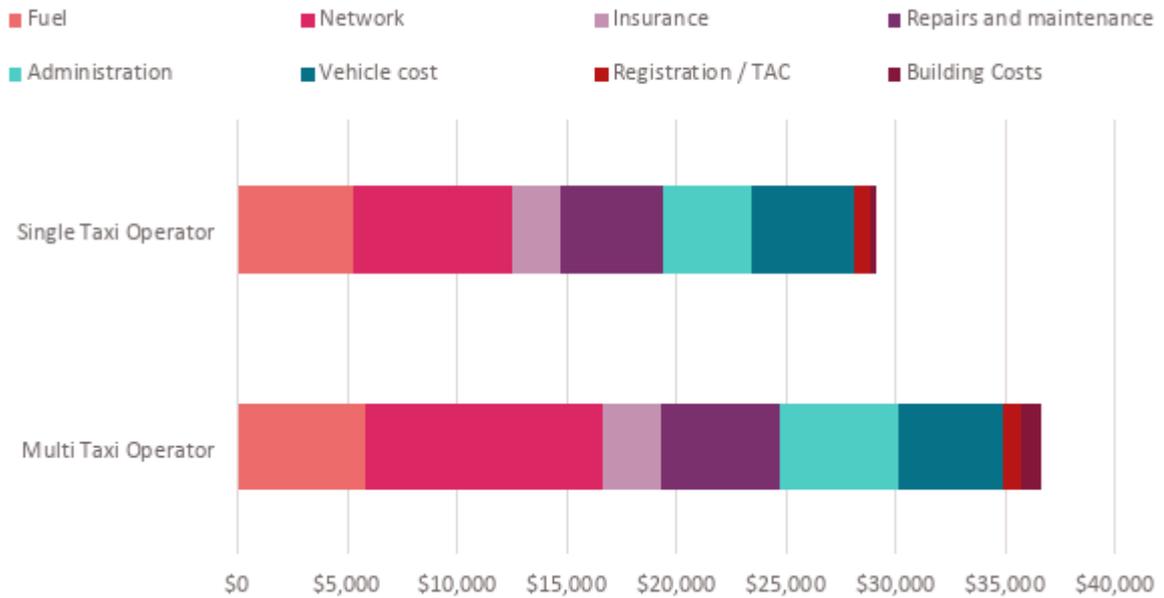
Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$5,821	\$5,718	\$5,923
Network	\$10,800	\$8,731	\$12,870
Insurance	\$2,691	\$2,286	\$3,096
Repairs and maintenance	\$5,409	\$1,320	\$9,121
Administration	\$5,387	\$3,775	\$6,997
Vehicle cost	\$4,799	\$4,220	\$5,378
Registration / TAC	\$818	\$818	\$818

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Building costs	\$876	\$612	\$1,138
Total Operating Cost	\$36,600	\$27,481	\$45,340

Average Standard Taxi Operator Costs – Single vs Multi-Taxi Operators (Weighted)

The reported costs of operating a standard taxi are reported as slightly higher among multi-taxi operators than single-taxi operators.



OPERATOR COSTS – WHEELCHAIR ACCESSIBLE TAXI: ALL ZONES

Consistent with prior years, the overall costs for a WAT takes into account the cost of fuel, network fees, insurance, repairs and maintenance, administration, vehicle costs, registration/TAC and building costs.

This includes information from operators, even if the operator did not respond to all cost questions. The unweighted data is representative of responses of each individual operator with a WAT.

WAT Taxi Costs – All Zones (Unweighted)

Unweighted, annualised vehicle and network costs were the largest expenses reported by WAT operators, followed by fuel and repairs.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$6,036	\$5,538	\$6,534
Network	\$7,014	\$5,817	\$8,210
Insurance	\$2,661	\$2,366	\$2,956
Repairs and maintenance	\$5,640	\$3,889	\$6,813
Administration	\$4,249	\$2,959	\$5,539
Vehicle cost	\$8,766	\$7,566	\$9,966
Registration / TAC	\$818	\$818	\$818
Building costs	\$1,337	\$282	\$2,392
Total Operating Cost	\$36,522	\$29,236	\$43,228

WAT Taxi Costs – All Zones (Weighted)

The weighted data costs are adjusted to reflect the total number of WATs represented within the study.

When weighted, the annualised vehicle and network costs remain the largest expense for WAT operators, followed by fuel. On average, operators reported the annual cost of operating a WAT to be in the order of \$34,000 per year.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$5,721	\$4,551	\$6,892
Network	\$6,541	\$5,130	\$7,951
Insurance	\$2,952	\$2,503	\$3,400
Repairs and maintenance	\$4,739	\$3,444	\$6,035
Administration	\$4,629	\$3,186	\$6,350
Vehicle cost	\$8,642	\$7,423	\$9,862
Registration / TAC	\$818	\$818	\$818
Building costs	\$274	\$274	\$274

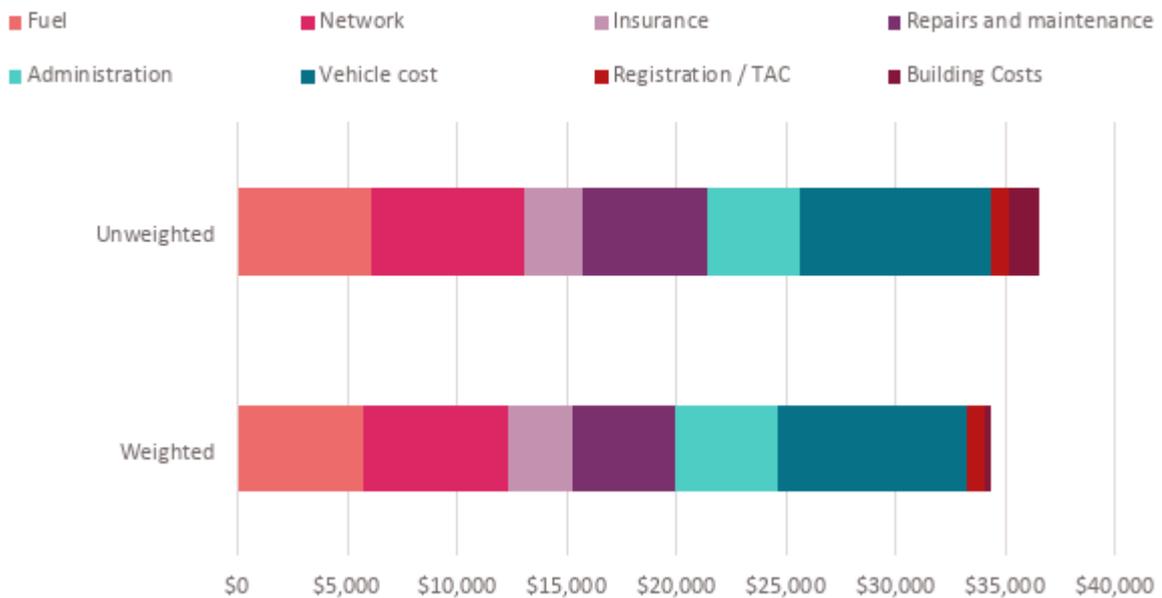
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Total Operating Cost	\$34,317	\$27,329	\$41,581
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Note: due to limited response rates of operators with building rental costs, a lower bound and upper bound estimate cannot be calculated. The mean response has been used.

Average WAT Operator Costs – All Zones (Unweighted vs Weighted)

The chart of Average WAT Operator Costs (Unweighted vs Weighted) shows the mean costs before and after weighting. Once the weighting is applied to represent the total number of WATs captured within the survey, the overall annual cost slightly decreases.



OPERATOR COSTS – PREMIUM TAXI: ALL ZONES

Consistent with prior years, the overall costs for a premium taxi takes into account the cost of fuel, network fees, insurance, repairs and maintenance, administration, vehicle costs, registration / TAC and building costs.

This includes information from operators, even if the operator did not respond to all cost questions. The unweighted data is representative of responses of each individual operator with a premium taxi.

Premium Taxi Costs – All Zones (Weighted)

The annualised vehicle and network costs were the largest expenses reported by premium taxi operators, followed by fuel.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$6,192	\$5,690	\$6,693
Network	\$7,635	\$6,619	\$8,650
Insurance	\$2,982	\$2,231	\$3,733
Repairs and maintenance	\$4,813	\$3,732	\$5,894
Administration	\$4,043	\$1,588	\$5,309
Vehicle cost	\$8,111	\$7,188	\$9,033
Registration / TAC	\$818	\$818	\$818
Building costs	\$25	\$25	\$25
Total Operating Cost	\$34,618	\$27,891	\$40,156

OPERATOR COSTS – MAXI TAXI: ALL ZONES

Consistent with prior years, the overall costs for a maxi taxis⁴ takes into account the cost of fuel, network fees, insurance, repairs and maintenance, administration, vehicle costs, registration/TAC and building costs.

This includes information from operators, even if the operator did not respond to all cost questions. The unweighted data is representative of responses of each individual operator with a maxi taxi.

Maxi Taxi Costs – All Zones (Weighted)

The annualised vehicle and network costs were the largest expenses reported by maxi taxi operators, followed by fuel.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Fuel	\$4,642	\$3,226	\$6,059
Network	\$6,042	\$6,042	\$6,042
Insurance	\$1,900	\$1,900	\$1,900
Repairs and maintenance	\$3,052	\$2,841	\$3,262
Administration	\$3,029	\$1,779	\$3,092
Vehicle cost	\$7,646	\$4,480	\$10,780
Registration / TAC	\$818	\$818	\$818
Building costs	\$113	\$113	\$113
Total Operating Cost	\$27,242	\$21,199	\$32,065

⁴ Maxi taxis are similar to wheelchair accessible taxis (WATs). They can carry 11 passengers and have plenty of space for luggage. The main difference is that WATs are fitted with anchor points to keep wheelchairs and scooters secure.

REPORTED REVENUE

The average reported annual revenue of operating a standard taxi and WAT is similar, in the order of \$78,000.

Reported Revenue – Standard Taxi (Weighted)

After operator expenses (excluding driver labour) are subtracted from annual revenue, the difference is in the order of \$45,000.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Annual Revenue	\$78,219	\$74,713	\$81,868
Operating Costs (excluding driver labour)	\$32,716	\$25,818	\$39,118
Difference (implied driver labour)	\$45,503	\$48,895	\$42,750

Reported Revenue – WAT (Weighted)

After operator expenses (excluding driver labour) are subtracted from annual revenue, the difference is in the order of \$44,000, however the lower and upper bounds show variation of between \$35,000 and \$52,000.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Annual Revenue	\$78,456	\$62,405	\$94,507
Operating Costs (excluding driver labour)	\$34,317	\$27,329	\$41,581
Difference (implied driver labour)	\$44,139	\$35,076	\$52,926

VEHICLE COST CALCULATIONS

As per previous years of the study, vehicle costs are calculated using the cost of vehicle purchase, fit-out costs and expected life of operation (years) provided by operators within the survey. Only 3% of operators who responded to the survey reported leasing a taxi.

The loan repayment amounts are based on a 5-year loan with monthly repayments. An interest rate of 4.8% has been applied, sourced from the Reserve Bank of Australia small business lending rates⁵.

Standard Taxi Vehicle Costs (Weighted)

On average, the purchase cost of a standard taxi was reported to be in the order of \$29,000 plus fit-out cost. Once interest was applied and the cost was annualised over the life of the vehicle, the average annual cost was \$5,339.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Vehicle purchase cost	\$29,098	\$26,159	\$32,037
Fit-out cost	\$3,124	\$2,242	\$4,006
Total cost	\$32,222	\$28,401	\$36,043
Average interest rate	4.8%		
Average operating years	6.8		
Annualised cost	\$5,339	\$4,706	\$5,973

WAT Taxi Vehicle Costs (Weighted)

On average, the purchase cost of a WAT was reported to be in the order of \$42,000 plus fit-out cost. Once interest was applied and the cost was annualised over the life of the vehicle, the average annual cost was \$8,642.

Cost Component	Average Cost \$	Lower Bound \$	Upper Bound \$
Vehicle purchase cost	\$42,150	\$35,171	\$49,130
Fit-out cost	\$19,976	\$18,191	\$21,761
Total cost	\$62,126	\$53,362	\$70,891
Average interest rate	4.8%		
Average operating years	8.1		
Annualised cost	\$8,642	\$7,432	\$9,862

⁵ <https://www.rba.gov.au/statistics/tables/xls/f05hist.xls>

FUEL COST CALCULATIONS

The fuel cost is calculated using the reported annual kilometres travelled, the proportion of taxis operating on various fuel types, the average LPG and Unleaded fuel costs and average fuel efficiency.

The annual kilometres travelled by taxi was reported directly within the survey by operators.

LPG and Unleaded Costs

LPG and Unleaded costs are attributed based on the proportion of taxis reported with each fuel type. Cost per litre is calculated as the average cost per litre of LPG and Unleaded sourced from FuelTRAC between April 2021 to March 2022.

	LPG (cents/L)	Unleaded (cents/L)
Apr-21 to Mar-22 (average)	87.9	160.9

Fuel Efficiency

A fuel efficiency of 4.9 L/100km was applied to the calculation reflecting average fuel efficiency of a Toyota Camry.

Toyota Camry efficiency is used as this was the most frequently reported vehicle owned by Standard Taxi operators.

KM Travelled Annually (Weighted)

Standard Taxi and WAT operators reported an average of just over 78,000km travelled by each taxi annually.

	Average Km	Lower Bound Km	Upper Bound Km
Standard & Premium Taxi	78,291	74,713	81,868
WAT	78,456	62,405	94,507

NETWORK COST CALCULATIONS

Network fees are reported directly by operators as annual costs. Operators were asked to specify if their network costs varied by type of taxi. If varied, operators were asked to specify network costs per vehicle type.

INSURANCE COST CALCULATIONS

Insurance costs are reported directly by operators as annual costs. Operators were asked to specify if their insurance costs varied by type of taxi. If varied, operators were asked to specify insurance costs per vehicle type.

ADMINISTRATION COST CALCULATIONS

Administration costs are reflective of three cost components:

- Own time (hours per week)
- Staff costs (\$)
- Costs paid to other businesses (\$)

The survey obtains administration costs per operator, and the data is converted into figures per taxi in order to determine the average cost of administration.

Prior to applying trimming to the bottom and top responses for own time, any responses that exceed feasibility (i.e., reported more than 168 hours of own time per week) were excluded as outliers.

Own time was attributed at a rate of \$26.26 per hour as per the Fair Work MA000002: Clerks – Private Sector Award 2020 – Level 4⁶.

91% of standard taxi operators reported spending their own time on administration, 44% have staff costs and 80% pay other businesses (weighted).

84% of WAT operators reported spending their own time on administration, 44% have staff costs and 88% pay other businesses (weighted).

⁶ https://awardviewer.fwo.gov.au/award/show/MA000002#P407_29375

REPAIR AND MAINTENANCE COST CALCULATIONS

Repair and maintenance costs are reflective of three cost components:

- Own time (hours per week)
- Own workshop costs (\$)
- Costs paid to other businesses (\$)

The survey obtains repair and maintenance costs per operator, and the data is converted into figures per taxi in order to determine the average cost.

Prior to applying trimming to the bottom and top responses for own time, any responses that exceed feasibility (i.e., reported more than 168 hours of own time per week) were excluded as outliers.

Own time was attributed at a rate of \$25.90 per hour as per the Fair Work MA000089: Vehicle Repair, Services and Retail Award 2020⁷.

37% of standard taxi operators reported spending their own time on repairs and maintenance, 47% reported having their own workshop and 69% reported paying other businesses (weighted).

29% of WAT operators reported spending their own time on repairs and maintenance, 36% reported having their own workshop and 59% reported paying other businesses (weighted).

⁷ <https://www.fairwork.gov.au/employment-conditions/awards/awards-summary/ma000089-summary>

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