



# Unbooked taxi fare review 2020

Final decision

2 September 2020



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# 1. Our decision is to keep maximum fares unchanged

Maximum fares for unbooked taxi services will remain unchanged from existing levels.

Time and distance tariffs to remain optional.

This decision will come into effect on 1 October 2020.

Our final decision is to keep maximum fares for unbooked taxi services unchanged. We consider this approach best meets our legislative objectives and requirements.

Given the current and uncertain future impact of the coronavirus pandemic on the commercial passenger vehicle industry, keeping maximum fares unchanged will provide some level of stability for consumers and unbooked taxi service providers.

Our decision will not require unbooked taxi service providers to update meters and stickers during these challenging times.

The release of this final decision, together with our price determination, is the last step in our review process. The new price determination will come into effect on 1 October 2020.

## **We set maximum fares for unbooked taxis**

As Victoria's economic regulator, one of our roles is to set maximum fares for unbooked commercial passenger vehicle services that begin in the Melbourne Metropolitan or Urban and Large Regional zones (applicable unbooked services), supplied by or within the commercial passenger vehicle industry.<sup>1</sup>

Unbooked commercial passenger vehicle services are those provided other than as a result of the provision of a booking service. They include trips hailed from the street or hired from recognised taxi ranks, or trips that have not been booked via an 'app', over the phone or via a website.

Fares for booked commercial passenger vehicle services are not regulated.

In this paper, we refer to commercial passenger vehicles that provide unbooked services as unbooked taxis, and applicable unbooked services as unbooked taxi services. This is on the basis that taxis currently meet the requirements to provide unbooked commercial passenger vehicle services. However, we acknowledge that other commercial passenger vehicles that meet the regulatory requirements in the future may also provide applicable unbooked services.

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<sup>1</sup> Essential Services Commission Act 2001, s. 32; Commercial Passenger Vehicle Industry Act 2017, s. 110D.

When we regulate the maximum fares for unbooked taxi services, our objectives are to promote the long term interests of Victorian consumers and the efficient provision and use of unbooked taxi services.<sup>2</sup> We must also have regard to a range of matters under the Essential Services Commission Act 2001 and the transport system objectives and decision making principles under the Transport Integration Act 2010.<sup>3</sup>

We must complete a review of the maximum fares for unbooked taxi services no later than two years after a price determination is made.<sup>4</sup> The fares we set are maximums, so unbooked taxi service providers can charge below the maximum fares we set.

## **Why maximum fares should remain unchanged**

In reviewing maximum fares, we considered submissions and feedback from stakeholders and the matters we must have regard to under legislation. We took into account:

- ongoing changes in consumer demand for and the supply of unbooked taxis
- service quality levels
- changes in the cost of providing unbooked taxi services
- the impact of the coronavirus pandemic on the commercial passenger vehicle industry.

We also considered several factors in deciding whether any proposed changes to the maximum fares are warranted, including but not limited to that maximum fares should:

- provide some level of stability during the coronavirus pandemic and over the next two years
- not impose unnecessary administrative and implementation burdens on unbooked taxi service providers during these difficult times.

We discuss these factors in more detail in Appendix C.

After balancing the above considerations and those in Appendix C, we determined that maximum fares for unbooked taxi services should remain unchanged.

### **There is no shortage in the supply of unbooked taxis**

Given the coronavirus pandemic, we did not collect trip data from commercial passenger vehicle industry participants to avoid imposing further regulatory burdens on them.

However, information from stakeholders and publicly available data have shown that the number of registered unbooked taxis has almost doubled since 2017. This suggests there are more than

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<sup>2</sup> Essential Services Commission Act 2001, s. 8; Commercial Passenger Vehicle Industry Act 2017, s. 110C.

<sup>3</sup> Essential Services Commission Act 2001, ss. 8A, 33; Transport Integration Act 2010, s. 24.

<sup>4</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110F(2).

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enough vehicles to meet customer demand. Generally, in a market where there is excess supply, there is no pressure for prices to increase.

### **Quality of taxi services has generally improved**

The most recent information available on service levels suggests that the quality of taxi services in the metropolitan zone has generally improved. This may imply that the current maximum fares provide sufficient incentives to improve or maintain the quality of service provided.

### **Costs could have decreased**

We estimate that vehicle operating costs for taxis have fallen by 2.7 per cent over the June 2018 to June 2020 period, while the total cost (including an allowance for potential driver earnings) has decreased by 0.4 per cent, based on the taxi cost index we developed in 2013.<sup>5</sup>

Noting stakeholders' concern regarding the taxi cost index not being reflective of current costs, we used it only as an approximate indication of how the cost of providing taxi services have changed.<sup>6</sup> It is only one of a number of considerations we have balanced in reaching our decision to keep maximum fares unchanged.

### **Consideration of the impact of the coronavirus pandemic**

Due to the coronavirus pandemic, we have been mindful not to impose unnecessary administrative and implementation burdens on unbooked taxi service providers. This is reflected in our approach to reviewing the maximum fares and our final decision. We did not collect large amounts of data from industry participants and our decision will not require unbooked taxi service providers to update meters and stickers.

Under stage 4 restrictions put in place by the Victorian Government in August 2020, commercial passenger vehicles including taxis can operate but only to provide limited services.<sup>7</sup> We understand these business restrictions had a significant impact on the demand for unbooked taxi services.

We also acknowledge that some form of restrictions in response to the pandemic may extend into the next regulatory period (that is, from 1 October 2020 to 30 September 2022) and potentially affect the viability of providing unbooked taxi services.

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<sup>5</sup> We note that the taxi cost index may overstate vehicle operating costs due to changes in the cost structure of operating a taxi since we developed the index in 2013 (for example, the shift from LPG to hybrid powered vehicles).

<sup>6</sup> 13cabs, submission to consultation paper, 29 May 2020, p.3; Ola Australia, submission to consultation paper, 7 May 2020, p.5; ESC meetings with various stakeholders, April-May 2020.

<sup>7</sup> Commercial Passenger Vehicles Victoria, Driver FAQs, accessed 18 August 2020, <https://cpv.vic.gov.au/drivers/coronavirus-covid-19/coronavirus-covid-19-faqs2/driver-faqs>.

1. Our decision is to keep maximum fares unchanged

To the extent that unbooked taxi providers are presently experiencing difficult business and operating conditions it is not because of the level of maximum fares. Even significant increases in fares would not offset revenue losses associated with greatly reduced demand due to the pandemic.

Leaving maximum fares unchanged is considered the most appropriate approach given the current and ongoing uncertainty. Increasing maximum fares is not the solution to improving financial viability at this time and it would not be in the long term interests of consumers and unbooked taxi providers.

### **Government funding boost will provide some financial relief**

The Victorian Government announced a \$22 million funding boost in July 2020 to provide some financial relief for drivers and operators, boost the commercial passenger vehicle industry and support vulnerable consumers who rely on the service.

This funding assistance is for a limited time and is aimed at helping the industry now. It does not affect our decision on the maximum fares that would apply during the next regulatory period starting 1 October 2020.

In reaching our final decision, we have balanced the different considerations discussed above and the feedback received from stakeholders on our draft decision. We consider that this approach best meets our legislative objectives and requirements.

### **We have considered stakeholders' views on the approach to assessing fares**

We agree with stakeholders that a detailed market outcomes approach and a review of the cost basket would impose an unnecessary administrative burden on unbooked taxi and booking service providers during the coronavirus pandemic, which is having a significant effect on the industry.<sup>8</sup>

Instead, we have used a simplified market outcomes approach using qualitative data on demand for taxis from stakeholder submissions on our consultation paper. We used Commercial Passenger Vehicles Victoria's industry data on the number of registered unbooked taxi service providers for an indication of taxi supply levels.

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<sup>8</sup> 13cabs, submission to consultation paper, 29 May 2020, p.3; Victorian Taxi Association, submission to consultation paper, 8 May 2020, p.1; Ola Australia, submission to consultation paper, 7 May 2020, p.5.

1. Our decision is to keep maximum fares unchanged

Some stakeholders suggested adjusting maximum fares in line with the consumer price index (CPI).<sup>9</sup> Our main consideration for not adopting a CPI adjustment is because it is not as reflective of the cost of providing taxi services as the taxi cost index.

In coming to our decision, we have balanced the possible decrease in costs suggested by the taxi cost index with the other considerations discussed above. We consider that this approach and methodology best meets our legislative objectives.

## **We decided to keep ‘time and distance’ tariffs optional**

Metering technology may no longer be a barrier to implementing ‘time **and** distance’ tariffs, and they have certain benefits over ‘time **or** distance’ tariffs. However, in the context of the current pandemic and possible resource constraints within the commercial passenger vehicle industry, it is appropriate for the use of ‘time **and** distance’ tariffs to remain optional for now.

## **This decision takes effect in October**

The release of this final decision and the accompanying price determination is the last step in our review process.

The new price determination released with this decision will come into effect on 1 October 2020. It replaces our last determination made on 13 September 2018.<sup>10</sup>

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<sup>9</sup> Transport Alliance Australia, submission to consultation paper, 5 May 2020, p.3; Ola Australia, submission to consultation paper, 7 May 2020, p.7; Anonymous, submission to consultation paper, 23 April 2020, p.1; 13cabs, submission to consultation paper, 29 May 2020, p.3; Ola Australia, submission to consultation paper, 7 May 2020, p.6.

<sup>10</sup> Essential Services Commission, Determination of maximum fares for unbooked commercial passenger vehicles (from 1 October 2018), September 2018.

1. Our decision is to keep maximum fares unchanged

## 2. Consideration of industry developments

Developments in the commercial passenger vehicle industry suggest that the current maximum fares are sufficient to maintain existing levels of service and supply.

This chapter discusses our findings on and consideration of these developments.

### **No shortage in the supply of unbooked taxis**

We could normally seek information on the supply of and demand for taxis to assess if maximum fares for unbooked taxi services need to change. Combining information on the trips made by taxis and taxi shifts allows us to observe whether taxis are spending more time on the road without a passenger. That is, if there is excess unused capacity.<sup>11</sup>

Generally, in a market where there is excess capacity we would expect either suppliers to exit, or prices to go down. A decrease in prices would increase the number of customers that want the services or products available. Suppliers would then use their unused capacity to service the new customers and so increase their revenues without incurring additional fixed costs.

Unlike our 2018 taxi fare review, we did not collect detailed taxi trip and shift data. We did not want to increase the regulatory burden on industry participants during the coronavirus pandemic and in any event current activity levels would not be appropriate to guide the setting of prices for the next two years.

However, information shared by some stakeholders on the demand and supply of unbooked taxis and publicly available information on the number of registered commercial passenger vehicles suggest there was more than enough supply to meet customer demand.

The number of registered rideshare vehicles doubled from 37,104 in June 2018 to 75,640 in June 2020.<sup>12</sup> The number of registered unbooked taxis (including wheelchair accessible taxis) in Victoria increased by three per cent over the same period: 10,480 in June 2018 to 10,804 in June 2020.<sup>13</sup> They peaked at 11,504 in October 2019.

The number of registered taxis that are able to offer unbooked fares has doubled since 2017 despite no change in maximum fares, suggesting that current fares are not leading to supply shortages.

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<sup>11</sup> Noting that there will be a significant share of a taxi shift where they will not have a passenger because drivers are waiting for a passenger or are driving to collect a passenger.

<sup>12</sup> Commercial Passenger Vehicles Victoria, email dated 20 August 2020.

<sup>13</sup> Commercial Passenger Vehicles Victoria, email dated 20 August 2020.

A stakeholder submission on our consultation paper suggest that there was a moderate increase in the demand for commercial passenger vehicles across the broader industry prior to the coronavirus pandemic.<sup>14</sup> But we do not have data on the change in demand for unbooked taxis since the 2018 fare review. Some stakeholders also noted that despite the slight increase in consumer demand for commercial passenger vehicles, increased competition from booked service providers has resulted in reduced revenue for taxi operators and taxi drivers' earnings.<sup>15</sup>

Changing maximum fares based on this evidence will not promote the efficient provision and use of unbooked taxi services. Fare increases in this environment is likely to lead to a decline in demand and an increase in unbooked taxis' capacity.

## **Coronavirus pandemic and the industry's financial viability**

Many stakeholders reported that the coronavirus pandemic has significantly affected the commercial passenger vehicle industry:

- Trips have declined by between 65 per cent to 95 per cent<sup>16</sup>
- Fares processed between late March and early April 2020 have decreased by more than 80 per cent compared to the same period last year<sup>17</sup>
- Most non-driving staff have been stood down to reduce costs.<sup>18</sup>

We acknowledge that some form of restrictions in response to the coronavirus pandemic may extend further to the next regulatory period (that is, from 1 October 2020 to 30 September 2022) and potentially affect the viability of some operators providing unbooked taxi services.

Leaving the maximum fares unchanged is the most appropriate approach, given the uncertainty of the next regulatory period. Increasing fares would not improve industry viability. It is likely to lead to a further decline in demand for taxis. Decreasing fares to incorporate modest reductions suggested by the current taxi cost index will potentially also have an adverse effect on the unbooked taxi industry's financial viability.

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<sup>14</sup> Transport Alliance Australia, submission to consultation paper, 5 May 2020, p.3.

<sup>15</sup> Victorian Taxi Association, submission to consultation paper, 8 May 2020, pp. 1 and 3; ESC meetings with various stakeholders, April-May 2020; Transport Alliance Australia, submission to consultation paper, 5 May 2020.

<sup>16</sup> ESC meetings with various stakeholders, April-May 2020; Cabfare, submission to consultation paper, 6 April 2020, p.1; Transport Alliance Australia, submission to consultation paper, 5 May 2020, p.2.

<sup>17</sup> A2B, ASX public release, 30 April 2020, p.2.

<sup>18</sup> A2B, ASX public release, 30 April 2020, p.2; ESC meetings with various stakeholders, April-May 2020.

## 2. Consideration of industry developments

## Government funding boost

On 24 July 2020, the Victorian Government announced a \$22 million industry support package to provide financial assistance to the commercial passenger vehicle industry during the coronavirus pandemic.<sup>19</sup> The aim is ‘to boost the industry and support vulnerable Victorians who rely on the service and drivers who have lost work with the reduction in trips’.<sup>20</sup> This support package includes:

- \$6 million to subsidise the depot fees paid by wheelchair accessible vehicle service providers
- \$3.5 million to support increased cleaning and sanitation of vehicles
- \$1.7 million to temporarily double the wheelchair lifting fee paid by government
- \$1 million to help struggling booking service providers in the regional areas
- refund of the Commercial Passenger Vehicle Service Levy for the 2019-20 June quarter
- a temporary increase in the Multi Purpose Taxi Program (MPTP) subsidy from 50 per cent to 70 per cent of the fare.

This support package is in addition to the government’s pause on regulatory fees, the \$1,500 Coronavirus Worker Support Payment and the federal government’s JobKeeper payment program.<sup>21</sup>

This funding assistance is for a limited time and is aimed at helping the industry now. It does not affect our decision on the maximum fares that would apply during the next regulatory period starting 1 October 2020.

## Service levels appear to have improved

Measuring taxi service quality can provide information on whether the level of fares or the structure of fares is sufficient to maintain or improve the quality of service. We used two measures to examine taxi service quality:

- a customer satisfaction index sourced from Commercial Passenger Vehicles Victoria
- the total number of complaints about taxis lodged with Commercial Passenger Vehicles Victoria.

Most recent information available from Commercial Passenger Vehicles Victoria on service levels has not shown a decrease in the quality of taxi services in the metropolitan zone. This can be seen

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<sup>19</sup> Department of Premier and Cabinet, Funding boost for taxis and commercial passenger vehicles, 24 July 2020, accessed 7 August 2020, <https://www.premier.vic.gov.au/funding-boost-taxis-and-commercial-passenger-vehicles>.

<sup>20</sup> Department of Premier and Cabinet, Funding boost for taxis and commercial passenger vehicles, 24 July 2020, accessed 7 August 2020, <https://www.premier.vic.gov.au/funding-boost-taxis-and-commercial-passenger-vehicles>.

<sup>21</sup> Commercial Passenger Vehicle Victoria, Recurring fees paused until further notice, 15 April 2020, accessed 7 August 2020, <https://cpv.vic.gov.au/about-us/news/taxis/recurring-fees-paused-until-further-notice>; Department of Health and Human Services, Coronavirus (COVID-19) Test isolation and worker support payment, accessed 7 August 2020, <https://www.dhhs.vic.gov.au/covid-19-worker-support-payment>; Australian Taxation Office, JobKeeper key dates, accessed 7 August 2020, <https://www.ato.gov.au/General/JobKeeper-Payment/JobKeeper-key-dates/>.

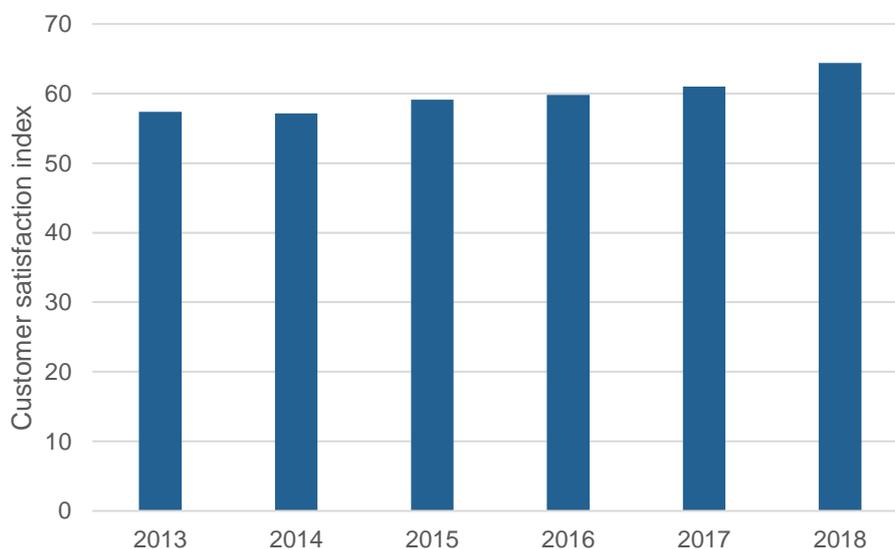
## 2. Consideration of industry developments

through improved customer satisfaction (Figure 2.1) and fewer complaints (Figure 2.2).<sup>22</sup> Quality of taxi services from 2014 to 2018 suggests that the current maximum fares provide sufficient incentives to improve or maintain the quality of service provided.

13cabs also advised that service quality has improved as far as their affiliated taxis are concerned.<sup>23</sup> No consumer or industry stakeholders provided information to the review suggesting that complaints or other indicators of service quality showed a decline.

In our 2018 fare review, we also used customer wait time (calculated from taxi networks' trip data) as one measure of taxi service quality. We were not able to calculate this measure for this review given the unavailability of taxi trip data.

**Figure 2.1: Customer satisfaction index – metro zone: 2013–2017 (taxis), 2018 (all CPVs)<sup>24</sup>**



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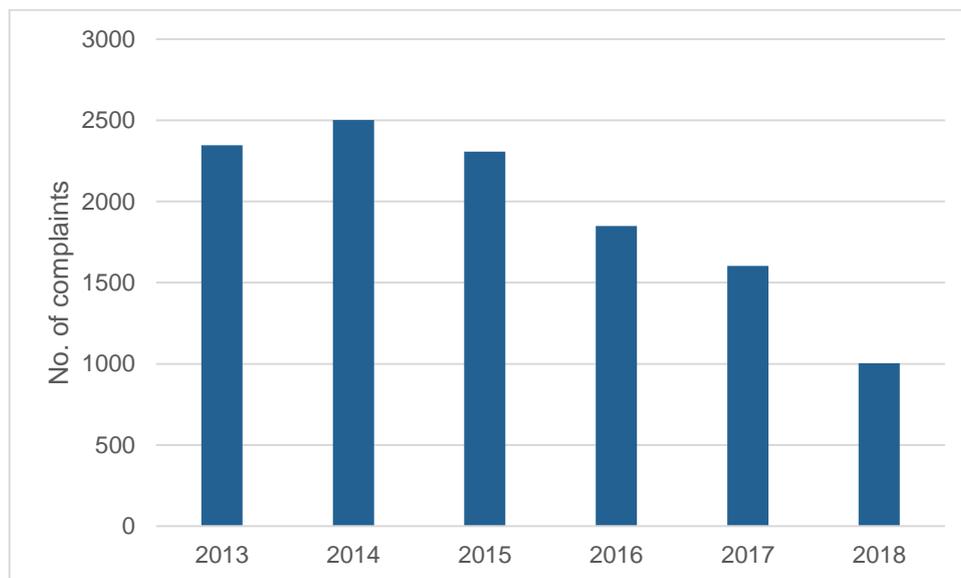
<sup>22</sup> According to Commercial Passenger Vehicles Victoria, customer satisfaction is most influenced by driver behaviour, safety and comfort, ease and reliability of booking and the price of trips. Source: Commercial Passenger Vehicles Victoria, 2018-19 Annual Report, October 2019, p.22.

<sup>23</sup> 13cabs, comments made at the public forum, 27 July 2020.

<sup>24</sup> In 2018, Commercial Passenger Vehicles Victoria's survey related to all commercial passenger vehicles rather than only taxis.

## 2. Consideration of industry developments

**Figure 2.2: Total number of complaints: 2013 to 2017 (taxi-metro zone), 2018 (all CPVs-Victoria)<sup>25</sup>**



### **Why we do not have service level measures for 2019 and 2020**

We do not have customer satisfaction index data for 2019 and 2020. Commercial Passenger Vehicles Victoria informed us that due to commercial passenger vehicle industry reforms, the survey about customer satisfaction shown in Figure 2.1 was discontinued in 2019. It has been replaced with a customer satisfaction survey that relates to the regulatory services provided by Commercial Passenger Vehicles Victoria.<sup>26</sup> This new survey is not relevant to our review.

We also do not have complaints data for 2019 and 2020. Customer complaints are now increasingly being lodged with booking service providers and operators. Booking service providers are required to have a complaints management system in accordance with the Commercial Passenger Vehicle Industry Regulations 2018.<sup>27</sup> The regulations also require providers of unbooked commercial passenger vehicle services to ensure that every complaint relating to its

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<sup>25</sup> Starting from 2018, the number of complaints relates to all commercial passenger vehicles, rather than only taxis. Starting mid-2018, complaints could be made directly to the relevant booking service provider or the provider of the unbooked commercial passenger vehicle service. Under the Commercial Passenger Vehicle Industry Regulations 2018 (the regulations), the registration of a person as a booking service provider is subject to the condition that the person must have a complaints management system. The regulations also contain a requirement for providers of unbooked commercial passenger vehicle services to investigate complaints.

<sup>26</sup> Commercial Passenger Vehicles Victoria, email dated 11 August 2020.

<sup>27</sup> Commercial Passenger Vehicle Industry Act 2017, s. 60(4); Commercial Passenger Vehicle Industry Regulations 2018, r. 23.

## 2. Consideration of industry developments

provision of unbooked commercial passenger vehicle services is investigated promptly, and any action required to adequately address the complaint is taken promptly.<sup>28</sup>

Incomplete service quality data was a concern raised by some stakeholders during our public forum.<sup>29</sup> We are aware of this development and this is also why we did not use Commercial Passenger Vehicles Victoria's complaints data for 2019. We will explore collecting relevant complaints data directly from booking service providers and operators for our future fare reviews.

## **'Time and distance' tariffs to remain optional**

A 'time **and** distance' tariff calculates fares using a time rate and a distance rate that apply at the same time. Under the existing tariffs, which are 'time **or** distance' tariffs, either the time rate or the distance rate applies at any point in time (depending on the speed of the vehicle).

We consider 'time **and** distance tariffs' have the benefits of:

- allowing passengers to better estimate the distance of their trip and trip duration, than trying to estimate the speed they will be travelling at all times during the trip (as required under 'time or distance' tariffs)
- being easier to compare fares between service offerings
- making fares more predictable.<sup>30</sup>

While metering technology may no longer be a barrier to implementing 'time **and** distance' tariffs, in the context of the current coronavirus pandemic and possible resource constraints within the unbooked taxi industry, it is appropriate for 'time **and** distance' tariffs to remain optional for now.<sup>31</sup>

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<sup>28</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 24.

<sup>29</sup> Transport Alliance Australia, concerns raised at the ESC public forum, 27 July 2020; 13cabs, concerns raised at the ESC public forum, 27 July 2020; Bendigo Taxis, concerns raised at the ESC public forum, 27 July 2020.

<sup>30</sup> Our 2018 final decision found that a greater number of trips tended to be within one, two, and three standard deviations of the mean using 'time **and** distance' tariffs, which means that fares are likely to be less variable using 'time **and** distance' tariffs. Source: Essential Services Commission, Unbooked commercial passenger fare review 2018 – Final decision, September 2018, Appendix K.

<sup>31</sup> A meter provider in its submission on our consultation paper reported that existing software does not support 'time **and** distance' tariffs and resource constraints in the current economic climate limit the development of such software at this time. For details see: Essential Services Commission, Unbooked taxi fare review 2020 – Draft decision, June 2020, pp.12-13.

## 2. Consideration of industry developments

### 3. Costs of providing taxi services

In our 2016 and 2018 fare reviews, we used a taxi cost index to analyse changes in the costs of providing taxi services and assess maximum fares.

For the 2020 fare review, we used the taxi cost index for an approximate indication of how the costs of providing taxi services have changed. It is only one of a number of elements we considered in reaching our final decision to keep maximum fares unchanged.

#### **Overall, the taxi cost index showed costs have decreased slightly**

We estimated that the overall cost of operating a taxi has declined by 2.7 per cent in nominal terms from June 2018 to June 2020 for taxi operators, while the total cost (including an allowance for potential driver earnings) has decreased by 0.4 per cent for the same period (Table 3.1). The decrease was mostly driven by decreases in fuel costs, network equipment costs and registration costs.

**Table 3.1: Cost change for conventional taxis according to our current cost index – June 2018 – June 2020**

Cost components	Cost share	Change for cost component	Contribution to overall change in index
Fuel	15.4%	-16.6%	-2.6%
Network (equipment)	2.9%	-8.2%	-0.2%
Network (labour)	2.9%	4.6%	0.1%
Comprehensive insurance	2.7%	7.4%	0.2%
Workers' compensation	0.7%	4.6%	0.0%
Vehicle	5.2%	0.6%	0.0%
Registration/TAC	1.8%	-65.6%	-1.2%
Repairs and maintenance	8.0%	7.5%	0.6%
Administration	5.4%	4.4%	0.2%
<b>Taxi operating costs</b>	<b>45.0%</b>	<b>NA</b>	<b>-2.7%</b>
Driver labour	55.0%	4.3%	2.3%
<b>Total*</b>	<b>100.0%</b>	<b>NA</b>	<b>-0.4%</b>

\*Note: Due to rounding, the totals may not equal the sum of the columns.

We also note that the index includes a measure to account for changes in the cost of driver labour.

Our index for wheelchair accessible taxis suggests costs have decreased by 0.3 per cent from June 2018 to June 2020. The decrease in costs has been largely driven by the same factors mentioned above.

See Appendix D for more details on the taxi cost index.

## **We used the taxi cost index to approximate the change in unbooked taxi costs**

As we discussed in our draft decision, some stakeholders brought to our attention that our taxi cost index is no longer fully reflective of taxi operators' costs (the index was constructed in 2013).

For example, a stakeholder mentioned that in urban and large regional zones in Victoria, the majority of taxis are hybrid vehicles.<sup>32</sup> This may have changed taxi operators' costs, but we do not know by how much. We also assume that choosing to use another technology means it is likely to have some cost advantages, implying the current cost index may overstate cost increases.

We placed less weight on the cost index compared with the 2018 review. Our cost index is only one of a number of considerations we have balanced in reaching our final decision to keep maximum fares unchanged.

## **While driver labour is a cost input, we do not set driver earnings**

The Australian Taxi Drivers Association noted that cost inputs related to driver labour do not reflect or account for the reality of an average bailee taxi driver. They suggested we recommend the fare split between drivers and operators be revised to 65:35 ratio, respectively.<sup>33</sup>

We do not set drivers' earnings. How much taxi drivers earn is a function of:

- the demand for commercial passenger vehicle services
- the supply of commercial passenger vehicle services
- fares charged
- how revenue is shared between taxi drivers and operators (currently a minimum of 55:45 ratio<sup>34</sup>).

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<sup>32</sup> ESC meetings with various stakeholders, April-May 2020.

<sup>33</sup> Australian Taxi Drivers Association, submission to draft decision paper, 28 July 2020.

<sup>34</sup> The 55 per cent minimum is an implied condition of every driver agreement as per s.97 of the Commercial Passenger Vehicle Industry Act 2017.

### 3. Costs of providing taxi services

This minimum driver:operator revenue share ratio is determined under the Commercial Passenger Vehicle Industry Act 2017 and is a matter for Commercial Passenger Vehicles Victoria's consideration. We do not have scope to change it in our review.

## **Costs associated with regulatory changes are unlikely to be material**

If regulatory changes have increased costs, we would need to assess who bears those costs (taxi drivers, operators or booking service providers) and how they affect the total cost of providing an unbooked taxi service.

We found that the costs of compliance with regulatory changes and safety obligations are unlikely to be material. We also sought stakeholder views on the costs associated with these regulatory changes. We did not receive any stakeholder feedback on the impact of regulatory changes on costs.

### **Multi Purpose Taxi Program**

The Multi Purpose Taxi Program assists with the travel needs of people with severe and permanent disabilities by offering subsidised taxi fares to members. Two key changes likely to impact the program in the future are:

- Commercial Passenger Vehicles Victoria introducing more transport options for Multi-Purpose Taxi Program passengers (including rideshare).<sup>35</sup>
- The National Disability Insurance Scheme (NDIS) changing the way some program users' trips are funded.<sup>36</sup> We note that not all program members will be moving to NDIS.

We did not adjust the maximum fares for the above changes. There will be no additional costs associated with providing unbooked taxi services to members under the Multi Purpose Taxi Program given there are no changes to the requirements in providing services to program members.

There will also be no additional administrative costs related to providing unbooked taxi services to program members who have become NDIS participants. Taxi service providers will get paid the full

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<sup>35</sup> Commercial Passenger Vehicles Victoria, MPTP Expansion Program trial with Uber in Greater Geelong, 5 March 2020, accessed 20 March 2020, <https://cpv.vic.gov.au/about-us/news/taxis/mptp-expansion-program-trial-with-uber-underway-in-greater-geelong>.

<sup>36</sup> National Disability Insurance Scheme, Transport funding, accessed 20 March 2020, <https://www.ndis.gov.au/participants/creating-your-plan/plan-budget-and-rules/transport-funding>.

### 3. Costs of providing taxi services

amount of the fare at the end of the trip just as they would for processing fares for other taxi passengers.<sup>37</sup>

We did not receive any feedback from stakeholders about the impact of providing unbooked taxi services to members under the Multi Purpose Taxi Program or NDIS on the costs of providing an unbooked taxi service.

### Commercial passenger vehicle service levy

The commercial passenger vehicle service levy applies in respect to each commercial passenger vehicle service transaction carried out during a return period.<sup>38</sup> The party liable for paying the levy depends on:

- how the service is provided (booked or unbooked)
- whether the service is facilitated by an affiliated service.<sup>39</sup>

The responsible party must lodge a quarterly return and pay the levy to the State Revenue Office for Victoria.

Our current price determination for maximum fares includes the commercial passenger vehicle levy recovery component.<sup>40</sup> Service providers have the option of absorbing the cost of the levy or passing it on to passengers by increasing their fares.

In terms of the costs of administering the commercial passenger vehicle levy, for taxi service operators not affiliated with booking service providers, the cost of lodging a quarterly return online and paying the levy is unlikely to be material.<sup>41</sup> Most operators are affiliated with a network. We understand that Silver Top Taxis (for both booked and unbooked services) and 13cabs (for booked services) lodge a quarterly return and pays the levy on behalf of their affiliated operators.

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<sup>37</sup> That is because NDIS participants who cannot take public transport due to their disability receive a fortnightly allowance which they can use to pay for taxis, rideshare services, community transport, and other transport methods. Source: National Disability Insurance Scheme, Transport funding, accessed 20 March 2020, <https://www.ndis.gov.au/participants/creating-your-plan/plan-budget-and-rules/transport-funding>.

<sup>38</sup> Section 235 of the Commercial Passenger Vehicle Industry Act 2017 states 'this Part imposes a levy in respect of each commercial passenger vehicle service transaction carried out during a return period.' 'Commercial passenger vehicle service transaction' is defined in section 3 as 'the provision for a single fare of (a) a booked commercial passenger vehicle service; or (b) an unbooked commercial passenger vehicle service'.

<sup>39</sup> Commercial Passenger Vehicle Industry Act 2017, s. 236.

<sup>40</sup> Essential Services Commission, Determination of maximum fares for unbooked commercial passenger vehicles (from 1 October 2018), September 2018, pp.1, 7 and 12.

<sup>41</sup> Independent operators are taxi service providers who are not affiliated with any booking service providers. To complete a quarterly return, they only need to provide the total number of trips they are liable to pay the levy for and their bank account details. Source: State Revenue Office for Victoria, Lodge a return and make a payment, accessed on 12 June 2020, <https://www.sro.vic.gov.au/commercial-passenger-vehicle-service-levy/lodge-return-and-make-payment>.

### 3. Costs of providing taxi services

Therefore, these operators do not incur any additional costs in administering the commercial passenger vehicle service levy.

We did not receive any feedback from stakeholders about the impact of administering the commercial passenger vehicle service levy on the cost of providing an unbooked taxi service.

### Safety obligations

The regulatory framework in the Commercial Passenger Vehicle Industry Act 2017 (CPVI Act) and the Commercial Passenger Vehicle Industry Regulations 2018 establish safety standards and safety duties for each industry participant to ensure the safety of their commercial passenger vehicle service.<sup>42</sup> The safety principles and duties include requirements for:

- industry participants<sup>43</sup> to notify Commercial Passenger Vehicles Victoria of any notifiable incident<sup>44</sup> that occurs in relation to the use of a commercial passenger vehicle to provide a commercial passenger vehicle service.<sup>45</sup>

To report any notifiable incidents to Commercial Passenger Vehicles Victoria, the industry participant will only have to fill in an online form providing some details about the incident.<sup>46</sup> Based on the amount of details they need to provide, we do not consider that the cost of reporting a notifiable incident is likely to be material for taxi operators.

- registered booking service providers to establish and maintain a register of safety risks.<sup>47</sup>

As this is the responsibility of the booking service provider, taxi operators do not incur any additional costs related to maintaining a register of safety risks.

We also note that stakeholders provided us with no additional information on the impact of the safety obligations on the cost of providing an unbooked taxi service. For the reasons outlined above, we have not made any changes to maximum fares to reflect regulatory changes.

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<sup>42</sup> Commercial Passenger Vehicle Industry Act 2017, Part 2; Commercial Passenger Vehicle Industry Regulations 2018, Part 2.

<sup>43</sup> Industry participants include booking service providers, owners of motor vehicles used to provide commercial passenger vehicle services, drivers providing commercial passenger vehicle services, persons who have control over the provision of commercial passenger vehicle services and suppliers of services or equipment used in the provision of commercial passenger vehicle services. See Commercial Passenger Vehicle Industry Act 2017, ss. 23-27.

<sup>44</sup> Includes: (a) an incident resulting in the death of or serious injury to any person; (b) an incident resulting in attendance by a police officer or health professional. See Commercial Passenger Vehicle Industry Regulations 2018, r. 7(1)(a)-(b).

<sup>45</sup> Commercial Passenger Vehicle Industry Act 2017, s. 272; Commercial Passenger Vehicle Industry Regulations 2018, r. 7.

<sup>46</sup> Commercial Passenger Vehicles Victoria, Notifiable Incidents, accessed on 1 June 2020, <https://cpv.vic.gov.au/drivers/accredited-driver-responsibilities/notifiable-incidents>.

<sup>47</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 5.

### 3. Costs of providing taxi services

## 4. Stakeholders' feedback on our draft decision

In total, we received eight written submissions on our draft decision paper. Submissions were from peak bodies, a booking service provider and individuals.

We held a virtual public forum on 27 July 2020 to explain our role in setting maximum fares for unbooked taxi services, discuss our draft decision and seek stakeholders' feedback.

This chapter summarises the key issues raised by stakeholders and how we have considered them in our final decision. Appendix E provides a list of the stakeholders that provided written submissions.

### **Some stakeholders supported keeping maximum fares unchanged**

Out of the eight written submissions we received, three supported our decision to keep maximum fares unchanged. Blind Citizens Australia, a national association representing people who are blind and vision impaired noted that it 'welcomes the decision not to raise prices for unbooked taxi fares, particularly given the COVID-19 restrictions and the complications they have caused for so many, from an economic perspective...The draft decision remains beneficial and considers the financial barriers, which many people who are blind or vision impaired face, in these uncertain times.'<sup>48</sup>

The Australian Taxi Drivers Association has some concerns about the 55:45 income sharing arrangement between drivers and operators but also agreed with our draft decision 'at this time'.<sup>49</sup> An individual also suggested we leave the maximum fares 'as they are'.<sup>50</sup>

### **'Maximum fares should increase'**

13cabs stated that the commission's decision to not increase fares since 2014 has caused the 'stagnation of driver earnings', directly affected the size of the driver pool and threatened the viability of the taxi industry.<sup>51</sup>

We do not consider there to be a basis for increasing maximum fares based on this submission. Firstly, there was no basis to increase the maximum fares during our 2016 and 2018 fare reviews. We noted that market outcomes – in particular, lower operating costs, declining demand for taxis and greater competition – suggested there is or would be increasing pressure on taxi service

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<sup>48</sup> Blind Citizens Australia, submission to draft decision paper, 20 July 2020.

<sup>49</sup> Australian Taxi Drivers Association, submission to draft decision paper, 28 July 2020.

<sup>50</sup> Anonymous, submission to draft decision paper, 28 July 2020.

<sup>51</sup> 13cabs, submission to draft decision paper, 7 August 2020, p.2.

providers to compete through lower fares, improved service offerings, or a combination of both. For details, refer to our 2016 and 2018 final decision papers.<sup>52</sup>

Secondly, taxi operators' costs have decreased since 2016. Operators could have increased drivers' revenue share above the minimum 55 per cent if they wished to. In addition, fares for booked taxi services remain the same as those for unbooked taxi services. Operators can set their own fares for booked services and might be expected to do so if they needed to offer more money to their drivers.

Thirdly, our objectives in regulating the maximum fares for unbooked taxi services are to promote the long term interests of Victorian consumers and to promote the efficient provision and use of unbooked taxi services. Increasing maximum fares to offset losses in revenue or driver income resulting from oversupply and increased competition in the industry would not be consistent with those objectives. Customers would pay more, and unbooked taxis might be used even less.

Furthermore, to the extent that the industry is facing difficulties now as a result of the coronavirus pandemic, it is not because of fares. We acknowledge that the total average cost of operating unbooked taxis may have increased for some operators due to the significant decline in demand during the pandemic. Our task is to set maximum fares that are based on the long-run cost of a financially viable industry, not short-term costs.

Increasing maximum fares is not the solution to improve the industry's financial viability at this time, and it would not be in the long term interests of Victorian consumers and the industry.

Appendix C sets out our approach to assessing maximum fares including how our approach best meets our legislative objectives and requirements.

## **'Driver earnings should enable them to pay their bills during stage 4 lockdown'**

13cabs raised that during the stage 4 lockdown, 'it is even more essential that the earnings potential for taxi drivers is set at a level that enables them to pay their bills and survive in these extraordinary times.'<sup>53</sup> As we discussed in our draft decision, we do not set drivers' earnings. We would also assume that under the stage 4 restrictions, unbooked taxi drivers' decision on whether to provide a service would be influenced by:

- their operating costs
- the likely number of customers

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<sup>52</sup> Essential Services Commission, Taxi Fare Review: Final report, June 2016, p.7; Essential Services Commission, Unbooked Commercial Passenger Vehicle Fare Review 2018: Final decision, September 2018, p.2.

<sup>53</sup> 13cabs, submission to draft decision paper, 7 August 2020, pp.1-2.

### 4. Stakeholders' feedback on our draft decision

- the risks to their and their family's health
- the benefits they can receive from the state and federal governments, such as the funding boost and any JobKeeper payments.

Increasing fares could further reduce demand for unbooked taxi services while decreasing fares could further discourage unbooked taxi service providers from operating during the stage 4 restriction period.

### **'Commission treats the taxi industry differently'**

13cabs in its submission to our draft decision paper questioned why the commission uses a different method to regulate the taxi industry. It stated that:

For the overwhelmingly majority of commercial services that the ESC regulates (including ports, rail, telecommunications, and water rights) the regulated prices of these essential services are subject to annual pricing escalators ... usually based on movements in the CPI.

This is in stark contrast to the way in which the ESC regulates Taxi fares where the ESC has determined no increases in taxi fares nor the incorporation of any annual price escalators where necessary for the last six years.

The manner in which the ESC approached its responsibilities in respect of the Taxi industry has constrained the viability of an essential service within a rapidly changing regulatory, commercial and competitive context and therefore has acted contrary to its mandate to act in the long-term interests of Victorians'.

13cabs reiterated that maximum fares should increase and that failing to do so would push driver earnings further down and limit the industry's ability to attract and retain quality drivers.<sup>54</sup>

It is important to remember that we regulate fares and other essential services in accordance with the specific requirements of the relevant legislation. We do not adjust prices for our other regulated services annually based on the movements in the CPI. For example, changes in the annual water prices are based on water businesses' required revenue to recover their annual efficient costs over the five-year regulatory period. A similar cost of service approach is used to set the annual Victorian Default Offer. Under the cost of service approach, prices could increase or decrease each year. This approach is consistent with the requirements of the legislation relevant to those essential services.

Our approach is suited to the particular circumstances of the commercial passenger vehicle industry and unbooked taxi services. Unlike monopoly water businesses, unbooked taxis service

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<sup>54</sup> 13cabs, submission to draft decision paper, 7 August 2020, pp.2-3.

providers operate in a competitive environment. Given this, a market outcomes approach which we have adopted in the last two fare reviews is appropriate in setting maximum fares. As discussed above, there was no basis to increase the maximum fares in 2016 and 2018.

We have also consulted stakeholders on a variety of approaches to setting fares as part of this review. For details, see Appendix F of this paper, our Unbooked taxi fare review 2020 – Consultation paper and Unbooked taxi fare review 2020 – draft decision paper.<sup>55</sup>

## **Matters raised during the public forum**

Stakeholders shared the following concerns with us during the public forum:

- Revenue declined prior to the coronavirus pandemic and more so during the pandemic.<sup>56</sup> We have addressed this concern in Chapters 1, 2 and partly above.
- There are no separate cost and demand assessments for the Large Regional zone.<sup>57</sup> Based on the information we received during our taxi cost survey in 2014, there was no material difference in taxi operating costs between the Metropolitan Melbourne and Urban and Large Regional zones. We accept the need for ongoing assessment of dynamic market conditions and costs across different zones in our reviews. However, as mentioned earlier, we have not collected data for such an assessment for this review to avoid imposing administrative burden on the industry during the coronavirus pandemic.
- Service quality data used in our assessment may not be complete.<sup>58</sup> We are aware of this service quality data constraint and this is also why we did not use Commercial Passenger Vehicles Victoria's complaints data for 2019. We will explore collecting relevant complaints data directly from booking service providers and operators for our future fare reviews.
- The driver labour component used in our taxi cost index does not 'reflect or account for the reality of an average bailee taxi driver'; the commission should recommend that the driver agreement be revised to a maximum fare split of 65:35 per cent between the driver and operator, respectively.<sup>59</sup> This ratio is determined under the Commercial Passenger Vehicle Industry Act 2017 and is a matter of consideration for Commercial Passenger Vehicles Victoria. This is outside the scope of our review.

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<sup>55</sup> Essential Services Commission – Consultation paper, April 2020; Essential Services Commission – Draft decision, June 2020.

<sup>56</sup> Bendigo Taxis, concerns raised at the ESC public forum, 27 July 2020; 13cabs, concerns raised at the ESC public forum, 27 July 2020.

<sup>57</sup> Bendigo Taxis, concerns raised at the ESC public forum, 27 July 2020.

<sup>58</sup> Transport Alliance Australia, concerns raised at the ESC public forum, 27 July 2020; 13cabs, concerns raised at the ESC public forum, 27 July 2020; Bendigo Taxis, concerns raised at the ESC public forum, 27 July 2020.

<sup>59</sup> Australian Taxi Drivers Association, submission to draft decision paper, 28 July 2020.

## 4. Stakeholders' feedback on our draft decision

- Some stakeholders also asked why we are regulating unbooked taxi services only and not regulating rideshare services.<sup>60</sup> The Parliament has established our role and this is beyond the scope of our review. It is a matter for the Department of Transport to consider. Our role under the Essential Services Commission Act 2001 and Commercial Passenger Vehicle Industry Act 2017 is to regulate maximum fares for unbooked taxi services supplied by or within the commercial passenger vehicle industry.

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<sup>60</sup> Raj, submission to draft decision paper, 14 July 2020; Transport Alliance Australia, concerns raised at the ESC public forum, 27 July 2020; Victorian Drivers Alliance, concerns raised at the ESC public forum, 27 July 2020.

#### 4. Stakeholders' feedback on our draft decision

## Appendix A: Maximum fares

### Metropolitan zone and East Urban area

**Table A.1: Maximum fares for unbooked commercial passenger vehicle services that begin in the Melbourne Metropolitan zone or east urban area - 'time or distance' tariffs: unchanged**

	Tariff 1 'Day' (9am-5pm)	Tariff 2 'Overnight' (5pm-9am, excluding peak)	Tariff 3 'Peak' (Fri & Sat nights 10pm-4am)
<b>Standard fare components</b>	<b>Maximum charge up to</b>		
Flagfall (\$)	4.20	5.20	6.20
Distance rate (\$/km) (when speed is above 21 km/hr)	1.622	1.804	1.986
Detention rate (\$/min) (when speed is below 21 km/hr)	0.568	0.631	0.695
<b>Other fare components (applicable to tariffs 1, 2 and 3)</b>	<b>Maximum charge up to</b>		
High occupancy fee <sup>(a)</sup>			\$14.00
Airport taxi rank fee <sup>(b)</sup>	For trips from the airport rank		Pass-through
Holiday rate <sup>(c)</sup>			Tariff 3 rates
CPV levy recovery fee			Pass-through
CityLink and EastLink tolls <sup>(d)</sup>			Pass-through
Cleaning fee	Up to a maximum of \$120		

(a) For commercial passenger vehicles carrying 5 or more passengers.

(b) As published by that airport in a daily newspaper generally circulating in Victoria and on that airport's website.

(c) For trips commencing on Christmas Day, Boxing Day, New Year's Day and from 6pm on New Year's Eve.

(d) As published from time to time in the Victorian Government Gazette in accordance with the Melbourne City Link Act 1995 or the EastLink Project Act 2004 as applicable.

**Table A.2: Maximum fares for unbooked commercial passenger vehicle services that begin in the Melbourne Metropolitan zone or east urban area - 'time and distance' tariffs: unchanged**

	Tariff 1 'Day' (9am-5pm)	Tariff 2 'Overnight' (5pm-9am, excluding peak)	Tariff 3 'Peak' (Fri & Sat nights 10pm-4am)
<b>Standard fare components</b>	<b>Maximum charge up to</b>		
Flagfall (\$)	4.20	5.20	6.20
Distance rate (\$/km) (at all times)	1.342	1.490	1.648
Duration rate (\$/min) (at all times)	0.344	0.379	0.408
<b>Other fare components (applicable to tariffs 1, 2 and 3)</b>	<b>Maximum charge up to</b>		
High occupancy fee <sup>(a)</sup>			\$14.00
Airport taxi rank fee <sup>(b)</sup>	For trips from the airport rank		Pass-through
Holiday rate <sup>(c)</sup>			Tariff 3 rates
CPV levy recovery fee			Pass-through
CityLink and EastLink tolls <sup>(d)</sup>			Pass-through
Cleaning fee	Up to a maximum of \$120		

(a) For commercial passenger vehicles carrying 5 or more passengers.

(b) As published by that airport in a daily newspaper generally circulating in Victoria and on that airport's website.

(c) For trips commencing on Christmas Day, Boxing Day, New Year's Day and from 6pm on New Year's Eve.

(d) As published from time to time in the Victorian Government Gazette in accordance with the Melbourne City Link Act 1995 or the EastLink Project Act 2004 as applicable.

## Large Regional area

**Table A.3: Maximum fares for unbooked commercial passenger vehicle services that begin in the Large Regional areas of the Urban and Large Regional zone, including Geelong, Ballarat and Bendigo - 'time or distance' tariffs: unchanged**

Fare component		Maximum charge
<b>Standard fare components</b>		
Flagfall (\$)		3.60
Distance rate (\$/km) (applies when speed is above 21 km/hr)		1.838
Detention rate (\$/min) (applies when speed is below 21 km/hr)		0.643
<b>High occupancy trips</b>		
For trips with 5 or more passengers: not applicable if the commercial passenger vehicle does not have the capacity for the carriage of 5 or more passengers in fixed seats. 'Fixed seats' does not include positions for the carriage of persons in wheelchairs.		
Flagfall (\$)		3.60
Distance rate (\$/km) (applies when speed is above 21 km/hr)		2.757
Detention rate (\$/min) (applies when speed is below 21 km/hr)		0.965
<b>Other fare components</b>		
Late night fee	For trips commencing between 7pm on Friday and Saturday nights through to 6am the following morning; and from midnight to 6am on all other days	\$3.40
Holiday rate <sup>(a)(b)</sup>		\$4.20
CPV levy recovery fee		Pass-through
CityLink and EastLink tolls <sup>(c)</sup>		Pass-through
Airport taxi rank fee <sup>(d)</sup>	For trips from the airport rank	Pass-through
Cleaning fee	Up to a maximum of \$120	

(a) For trips commencing between 7pm on evenings prior to all public holidays, through to 6am the following mornings and trips commencing on Christmas Day, Boxing Day, New Year's Day and from 6pm on New Year's Eve.

(b) The 'late night fee' does not apply during times that the holiday rate applies.

(c) As published from time to time in the Victorian Government Gazette in accordance with the Melbourne City Link Act 1995 or the EastLink Project Act 2004 as applicable.

(d) As published by that airport in a daily newspaper generally circulating in Victoria and on that airport's website.

**Table A.4: Maximum fares for unbooked commercial passenger vehicle services that begin in the Large Regional areas of the Urban and Large Regional zone including Geelong, Ballarat and Bendigo - 'time and distance' tariffs: unchanged**

Fare component		Maximum charge
<b>Standard fare components</b>		
Flagfall (\$)		3.60
Distance rate (\$/km) (at all times)		1.494
Waiting time (\$/min) (at all times)		0.491
<b>High occupancy trips</b>		
For trips with 5 or more passengers: not applicable if the commercial passenger vehicle does not have the capacity for the carriage of 5 or more passengers in fixed seats. 'Fixed seats' does not include positions for the carriage of persons in wheelchairs.		
Flagfall (\$)		3.60
Distance rate (\$/km) (at all times)		2.441
Detention rate (\$/min) (at all times)		0.529
<b>Other fare components</b>		
Late night fee	For trips commencing between 7pm on Friday and Saturday nights through to 6am the following morning; and from midnight to 6am on all other days	\$3.40
Holiday rate <sup>(a)(b)</sup>		\$4.20
CPV levy recovery fee		Pass-through
CityLink and EastLink tolls <sup>(c)</sup>		Pass-through
Airport taxi rank fee <sup>(d)</sup>	For trips from the airport rank	Pass-through
Cleaning fee	Up to a maximum of \$120	

(a) For trips commencing between 7pm on evenings prior to all public holidays, through to 6am the following mornings and trips commencing on Christmas Day, Boxing Day, New Year's Day and from 6pm on New Year's Eve.

(b) The 'late night fee' does not apply during times that the holiday rate applies.

(c) As published from time to time in the Victorian Government Gazette in accordance with the Melbourne City Link Act 1995 or the EastLink Project Act 2004 as applicable.

(d) As published by that airport in a daily newspaper generally circulating in Victoria and on that airport's website.

## Appendix B: Our role is to set the maximum fares for unbooked taxi services

The Essential Services Commission regulates the maximum charges for applicable unbooked services supplied by or within the commercial passenger vehicle (CPV) industry (maximum fares).<sup>61</sup> An applicable unbooked service means an unbooked CPV service in respect of carriage on a journey that begins in the Melbourne Metropolitan zone (metro zone) or the Urban and Large Regional zone (the urban zone).<sup>62</sup> An unbooked CPV service refers to a CPV service that is provided other than as a result of the provision of a booking service.<sup>63</sup>

The Commercial Passenger Vehicle Industry Act 2017 and the Essential Services Commission Act 2001 govern our role of regulating maximum fares for applicable unbooked services supplied by or within the CPV industry. As a transport body, the commission must also have regard to the transport system objectives and decision making principles under the Transport Integration Act 2010 in exercising its powers and performing its functions and making decisions under the Commercial Passenger Vehicle Industry Act 2017.<sup>64</sup>

In this paper, we refer to CPV vehicles that provide unbooked CPV services as unbooked taxis, and applicable unbooked services as unbooked taxi services, on the basis that taxis currently meet the requirements to provide unbooked CPV services. For the time being, we expect that most, if not all, unbooked CPV services will be provided by taxis. However, we acknowledge that other CPVs that meet the regulatory requirements in the future can also provide unbooked taxi services.

### **Our objectives**

The main purposes of the Commercial Passenger Vehicle Industry Act 2017 include providing for a new regulatory framework for the regulation of the CPV industry in Victoria, including new safety duties for CPV industry participants and certain protections for consumers of CPV services and

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<sup>61</sup>Before determining maximum fares, we typically undertake a fare review. A price determination is the legislative instrument we use to regulate maximum fares.

<sup>62</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110A.

<sup>63</sup> Commercial Passenger Vehicle Industry Act 2017, s. 3.

<sup>64</sup> The definition of a transport body under the Transport Integration Act 2010 includes the Essential Services Commission when it is exercising its functions and powers under any transport legislation in respect of the transport system. Transport legislation is defined to include the Commercial Passenger Vehicle Industry Act 2017.

drivers of CPVs, among other matters.<sup>65</sup> Our role regulating maximum fares for unbooked taxi services is one of these protections.

Under the Commercial Passenger Vehicle Industry Act 2017, our objective in relation to the CPV industry is to promote the efficient provision and use of unbooked taxi services.<sup>66</sup> Under the Essential Services Commission Act 2001, in performing our functions and exercising our powers, our objective is to promote the long term interests of Victorian consumers. In seeking to achieve this objective, we must have regard to the price, quality and reliability of essential services.<sup>67</sup>

Under the Essential Services Commission Act 2001, we must have regard to a number of other matters including: the financial viability of the industry, the degree of and scope for competition within the industry, consistency in regulation between states and on a national basis, among other factors.<sup>68</sup> In addition, in making a determination, we must ensure that the expected costs of the proposed regulation do not exceed the expected benefits, and that the determination takes into account and clearly articulates any trade-offs between costs and service standards.<sup>69</sup>

Under the Transport Integration Act 2010, we must have regard to the transport system objectives in exercising our powers and performing our functions under any transport legislation. Transport legislation is defined to include the Commercial Passenger Vehicle Industry Act 2017.

The transport system objectives we must have regard to relate to social and economic inclusion, economic prosperity, environmental sustainability, integration of transport and land use, efficiency, coordination and reliability, and safety and health and wellbeing.<sup>70</sup>

Under the Transport Integration Act 2010, we must also have regard to the decision making principles in making decisions under any transport legislation. The decision making principles we must have regard to include:

- the principle of integrated decision making<sup>71</sup>

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<sup>65</sup> Commercial Passenger Vehicle Industry Act 2017, s. 1.

<sup>66</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110C.

<sup>67</sup> Essential Services Commission Act 2001, s. 8.

<sup>68</sup> Essential Services Commission Act 2001, ss. 8A, 33(3).

<sup>69</sup> Essential Services Commission Act 2001, s. 33(4).

<sup>70</sup> Transport Integration Act 2010, ss. 7-13.

<sup>71</sup> The principle of integrated decision making means seeking to achieve government policy objectives through coordination between all levels of government and government agencies and with the private sector. Transport Integration Act 2010, s. 15.

- the principle of triple bottom line assessment<sup>72</sup>
- the principle of equity<sup>73</sup>
- the principle of transport system user perspective<sup>74</sup>
- the precautionary principle<sup>75</sup>
- the principle of stakeholder engagement and community participation<sup>76</sup>
- the principle of transparency.<sup>77</sup>

The transport system objectives and decision making principles are broad in nature. The commission may determine the weight to give to each transport system objective and decision making principle.<sup>78</sup>

## **We regulate maximum fares for unbooked taxi services**

The CPV service market is the hire of point-to-point vehicle transport. This is different to other forms of transport that, for example, run on pre-specified routes.

It is useful to divide the market for CPV services into two submarkets, depending on the way passengers obtain services:

1. booked: passengers reserve prior to travel through an app, online or over the phone
2. unbooked: passengers hail from the street or take a vehicle from a rank.

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<sup>72</sup> The principle of triple bottom-line assessment means an assessment of all the economic, social and environmental costs and benefits taking into account externalities and value for money. Transport Integration Act 2010, s. 16.

<sup>73</sup> The principle of equity means (a) equity between persons irrespective of their personal attributes, including age, physical ability, ethnicity, culture, gender and financial situation; or location, including whether in a growth, urban, regional, rural or remote area; (b) equity between generations by not compromising the ability of future generations to meet their needs. Transport Integration Act 2010, s. 17.

<sup>74</sup> The principle of transport system user perspective means (a) understanding the requirements of transport system users, including their information needs; (b) enhancing the useability of the transport system and the quality of experiences of the transport system. Transport Integration Act 2010, s. 18.

<sup>75</sup> The precautionary principle means that if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation. Transport Integration Act 2010, s. 19.

<sup>76</sup> The principle of stakeholder engagement and community participation means (a) taking into account the interests of stakeholders, including transport system users and members of the local community; (b) adopting appropriate processes for stakeholder engagement. Transport Integration Act 2010, s. 20.

<sup>77</sup> The principle of transparency means members of the public should have access to reliable and relevant information in appropriate forms to facilitate a good understanding of transport issues and the process by which decisions in relation to the transport system are made. Transport Integration Act 2010, s. 21.

<sup>78</sup> Transport Integration Act 2010, ss. 26-27.

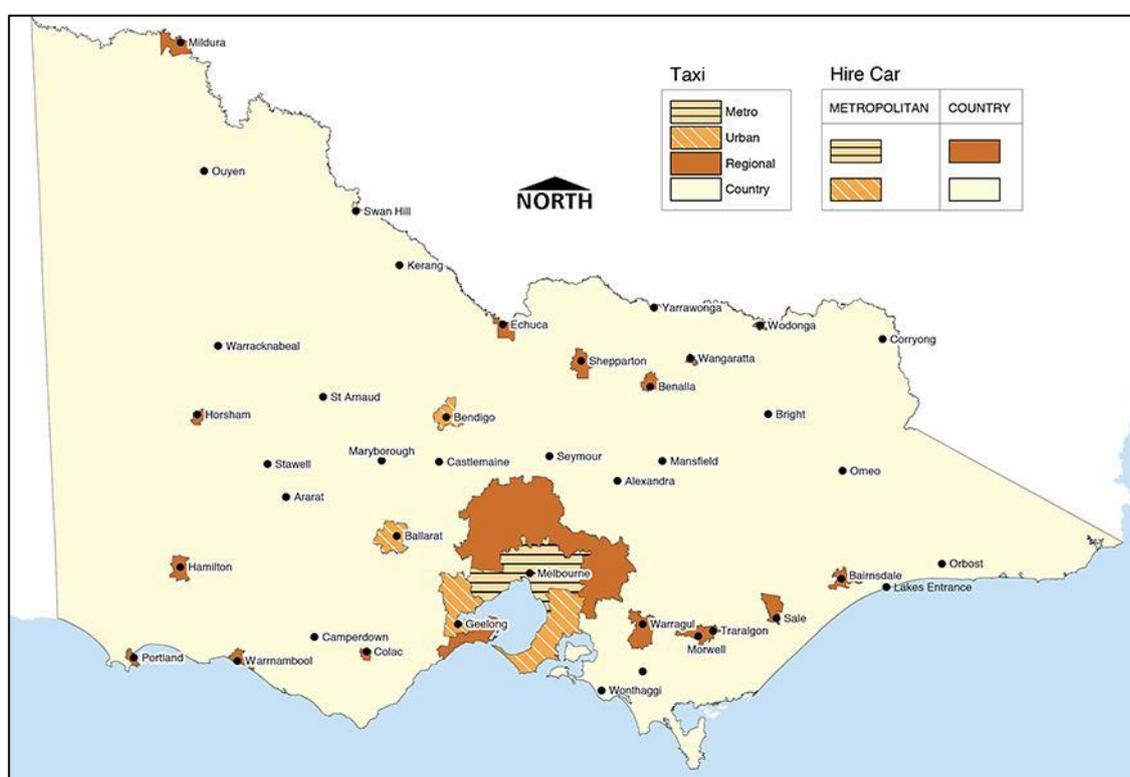
To provide unbooked CPV services a vehicle must meet certain requirements.<sup>79</sup> Taxis are CPVs that meet these requirements. We regulate maximum fares for applicable unbooked services (unbooked taxi services) only.

## Locations where we set maximum fares for unbooked taxi services

Our determination of maximum fares for unbooked taxi services applies only to trips that begin in the metro or urban zone.<sup>80</sup> The metro zone covers most of metropolitan Melbourne. The urban zone includes Geelong, Ballarat, Bendigo, Frankston, Dandenong and the Mornington Peninsula.

For trips that begin in all other parts of Victoria taxi service providers set their own prices for unbooked CPV fares. Figure B.1 shows these taxi zones.

**Figure B.1 Historical taxi zones of Victoria<sup>81</sup>**



<sup>79</sup> Commercial Passenger Vehicle Industry Regulations 2018.

<sup>80</sup> Essential Services Commission Act 2001, s. 32; Commercial Passenger Vehicle Industry Act 2017, ss. 110A, 110D.

<sup>81</sup> For a more detailed map description see: Commercial Passenger Vehicles Victoria, Taxi zones map descriptions, accessed 25 May 2020, <https://cpv.vic.gov.au/about-us/taxi-zones-map-descriptions>.

# Appendix C: How we assessed fares

## Approach to fare review

In coming to our final decision on maximum fares for unbooked taxi services, we have assessed developments in the commercial passenger vehicle (CPV) industry, changes in the costs of providing unbooked taxi services and stakeholder views. We consider this approach and methodology best meet our legislative objectives and requirements.

### We considered other developments in the CPV industry

We used available information on the demand and supply of CPVs including taxis to get some indication of whether the current maximum fares need to change. We did not collect detailed information on taxi trips and shifts due to the administrative burden it would place on booking service providers during the coronavirus pandemic.

We collected information on CPV service quality levels from Commercial Passenger Vehicles Victoria and compared this information to the service levels we reported during the 2018 fare review. Measuring taxi service quality can provide information about problems with the level of fares or the structure of fares.

We also considered the impact of the coronavirus pandemic on the CPV industry, including the impact of the pandemic on the demand for unbooked taxi services, government funding assistance and the viability of the CPV industry.

### We estimated the change in the costs of providing unbooked taxi services

We also reviewed taxi operators' costs to inform us whether maximum fares are still sufficient to cover unbooked taxi service providers' efficient costs to maintain service levels.

We looked at the impact of price volatility by estimating the change in costs from June 2018 to June 2020, the most recent two years for which cost inflator data is currently available.

We also considered the costs to taxi service providers of recent regulatory changes and the costs of making changes to maximum fares (changes to their signage and meter re-programming).

## We considered stakeholders' views

We assessed stakeholders' preferred approaches to assessing maximum fares. Given the coronavirus pandemic, we considered the administrative and implementation burdens associated with each approach to assessing maximum fares.<sup>82</sup>

We also considered stakeholders' feedback on our draft decision.

## Factors we considered in determining whether changes to maximum fares are warranted

We considered the following matters, among others, when deciding whether any proposed changes to the maximum fares were warranted. Maximum fares should:

1. have expected benefits that outweigh the expected costs<sup>83</sup>
2. provide some level of stability during the coronavirus pandemic and over the next two years<sup>84</sup>
3. give a reasonable opportunity for unbooked taxi service providers to recover the costs that a well-run business would incur to provide its service<sup>85</sup>
4. not make it difficult for unbooked taxi service providers to compete with each other or with booked service providers<sup>86</sup>
5. give incentives to unbooked taxi service providers to provide the service outcomes consumers want<sup>87</sup>
6. not impose unnecessary administrative and implementation burdens on unbooked taxi service providers during these difficult times<sup>88</sup>
7. result in a fare structure that passengers can easily understand.<sup>89</sup>

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<sup>82</sup> Essential Services Commission, Unbooked taxi fare review 2020 – Draft decision, June 2020, pp.21-24.

<sup>83</sup> For example, the expected costs of increasing maximum fares (primarily due to reduced efficiency in the CPV market) would outweigh any expected benefits, see discussion in Chapters 2 and 4.

<sup>84</sup> For example, our decision to keep fares unchanged and the use of 'time and distance' tariffs optional, see Chapters 1 and 2.

<sup>85</sup> For example, see the approximate costs service providers must recover to be financially viable in Chapter 3.

<sup>86</sup> For example, increasing fares will likely turn away unbooked taxi customers, further decreasing unbooked taxi service providers' revenue, see Chapters 2 and 4.

<sup>87</sup> For example, see our analysis of service quality in Chapter 2.

<sup>88</sup> For example, we did not adopt an approach to setting fares which would require collection of huge data from industry players, see Chapters 1 and 2.

<sup>89</sup> For example, we continue to give taxi service providers the choice of offering 'time **and** distance' tariffs, see Chapters 1 and 2.

## **Our assessment approach helps us meet our legislative requirements and objectives**

### **Our objectives**

In regulating maximum fares our objectives are to:

- promote the efficient provision and use of unbooked taxi services<sup>90</sup>
- promote the long term interests of Victorian consumers. In seeking to achieve this objective we must have regard to the price, quality and reliability of essential services.<sup>91</sup>

We consider 'efficient provision' to mean that at the desired level of quality, services are provided at least cost and 'efficient use' to mean that demand for unbooked taxi services reflects the efficient cost of providing those services.

To promote these outcomes, the maximum fares should not be set too low or too high. If the maximum fares are set too low, unbooked taxi service providers would not be able to recover the efficient costs of providing unbooked taxi services, including a reasonable return on their investment. On the other hand, if the maximum fares are set too high, and unbooked taxi service providers choose to charge the maximum amount, in the current competitive environment within the CPV industry, customers are likely to choose alternative CPV services. Maximum fares that are too low or too high could, therefore lead to undersupply or underutilisation of unbooked taxi services. These outcomes are not in the long term interests of Victorian consumers. Maximum fares must be set at a level that ensures quality and reliable service provision now and in the future.

Our approach to assessing the maximum fares discussed above helps us understand if price, quality and reliability of outcomes are consistent with our legislative objectives. The taxi cost index indicates that the costs of providing taxi services have decreased for the period June 2018 to June 2020 in large part due to falls in LPG prices and registration/TAC charges.

The fares we set would apply from 1 October 2020 rather than now. Our task is to set maximum fares that are based on the long-run cost of a financially viable industry, not the short-term costs. We consider our decision to keep the maximum fares unchanged best meets our legislative objectives and requirements.

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<sup>90</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110C.

<sup>91</sup> Essential Services Commission Act 2001, s. 8.

## Considering other relevant matters

We must also have regard to a range of other matters: such as the financial viability of the industry, the degree of and scope for competition within the industry, and consistency in regulation between States and on a national basis.<sup>92</sup> In addition, we must ensure that the expected costs of the proposed regulation do not exceed the expected benefits, and that the determination takes into account and clearly articulates any trade-offs between costs and service standards.<sup>93</sup>

The seven factors (items 1-7 above) we have considered reflect the matters we must have regard to and ensure under the Essential Services Commission Act 2001. We also considered other relevant matters, including, the regulation of taxi fares on a national basis and observed that most Australian jurisdictions use a taxi cost index to set fares.<sup>94</sup>

## Having regard to the transport system objectives under the Transport Integration Act

As a transport body, the commission must have regard to the transport system objectives and decision making principles under the Transport Integration Act 2010 in exercising its powers and performing its functions and making decisions under any transport legislation (i.e. Commercial Passenger Vehicle Industry Act 2017).<sup>95</sup> The transport system objectives and decision making principles are broad in nature (see Appendices B and H) and the commission may determine the weight given to each transport system objective and decision making principle.<sup>96</sup>

We had regard to each of the transport system objectives in assessing maximum fares, including the objective of facilitating economic prosperity by supporting financial sustainability and increasing efficiency.

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<sup>92</sup> Essential Services Commission Act 2001, ss. 8A, 33(3).

<sup>93</sup> Essential Services Commission Act 2001, s. 33(4).

<sup>94</sup> We note that in the Northern Territory, the consumer price index is used to determine taxi fares but a full comparison of fares using the previous basket of costs model is undertaken every three years and fares are adjusted accordingly if necessary, hence technically it is also based on a taxi cost index. Source: Department of Infrastructure, Planning and Logistics, Taxi Fare Review, accessed 23 May 2020, <https://dipl.nt.gov.au/strategies/commercial-passenger-vehicle-reforms/taxi-fare-review>.

In the Australian Capital Territory, CPI is used as the baseline for annual increases in maximum fares but prior to any increase being applied, consideration will be given to market conditions and other relevant factors, such as consistency with other jurisdictions and impact on consumers. Source: Access Canberra, Taxi fare information, accessed on 30 July 2020, [https://www.accesscanberra.act.gov.au/app/answers/detail/a\\_id/2936/-/taxi-fare-information](https://www.accesscanberra.act.gov.au/app/answers/detail/a_id/2936/-/taxi-fare-information).

<sup>95</sup> The definition of a transport body under the Transport Integration Act 2010 includes the Essential Services Commission when it is exercising its functions and powers under any transport legislation in respect of the transport system. Transport legislation is defined to include the Commercial Passenger Vehicle Industry Act 2017.

<sup>96</sup> Transport Integration Act 2010, ss. 26-27.

One stakeholder referred to two transport system objectives in particular and made some suggestions on how we can account for those objectives:

- environmental sustainability<sup>97</sup> – for example, the commission should consider a fare structure that incentivises the use of electric vehicles
- integration of transport and land use<sup>98</sup> – for example, the commission should consider a fare structure that promotes multiple occupancy of all unbooked taxis above one passenger.<sup>99</sup>

In reaching our final decision, we had regard to both of these transport system objectives as well as our overarching objectives of promoting the long term interests of Victorian consumers and the efficient provision and use of unbooked taxi services.

In relation to the transport system objective of environmental sustainability, we note some stakeholders' feedback that there was an increase in the use of hybrid taxis.<sup>100</sup> This may suggest the current maximum fare structure is sufficient to promote the use of more environmentally friendly vehicles. This is something we may explore further in future reviews. Further, to the extent that the state and federal governments have a view about actions that businesses should take to promote environmental sustainability, we will account for the efficient costs associated with those actions in setting the maximum fares.

In relation to a maximum fare structure that promotes multiple occupancy, we note that in our past fare reviews prior to 2018, our price determination included a multiple hiring tariff for taxis carrying more than one hirer in accordance with regulation 40 of the Transport (Buses, Taxi-Cabs, Other Commercial Passenger Vehicles) Regulations 2005, and after its revocation, regulation 45 of the Transport (Buses, Taxi-Cabs, Other Commercial Passenger Vehicles) Regulations 2016. Our determination required that the hiring charge for each hirer must not exceed 75 per cent of the metered fare at their respective destination. The 2016 Regulations expired in June 2017 and the replacement regulations<sup>101</sup> did not include a provision regulating multiple hiring.

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<sup>97</sup> Section 10 of the Transport Integration Act 2010 states '[t]he transport system should actively contribute to environmental sustainability by ... (c) promoting forms of transport and the use of forms of energy and transport technologies which have the least impact on the natural environment and reduce the overall contribution of transport-related greenhouse gas emissions'.

<sup>98</sup> Section 11 of the Transport Integration Act 2010 states '(1)[t]he transport system should provide for the effective integration of transport and land use and facilitate access to social and economic opportunities. (2) without limiting the generality of subsection (1), transport and land use should be effectively integrated so as to improve accessibility and transport efficiency with a focus on ... (c) reducing the need for private motor vehicle transport and the extent of travel'.

<sup>99</sup> Jackie Fristacky, submission to consultation paper, 2 April 2020, p.1.

<sup>100</sup> ESC meetings with various stakeholders, April-May 2020.

<sup>101</sup> Transport (Buses, Taxi-Cabs and Other Commercial Passenger Vehicles) (Taxi-Cab Industry Accreditation and Other Matters) Regulations 2017.

Currently, nothing prohibits two passengers waiting at a taxi rank from agreeing to take a taxi and sharing to pay the standard fares. In fact, it would be cheaper for customers now to share taxis than when the previous multiple hiring arrangement still applied (where each customer pays 75 per cent of the metered fare at their respective destination). If we were to determine a multiple hiring tariff that was cheaper than the standard fares, it is likely that unbooked taxi service providers would not take those fares without a government subsidy.

These may be the reasons why there was limited use of multiple hiring in the past. In our 2013 fare review, high occupancy vehicle operators and drivers reported that there is limited use of multiple hiring. The key concerns regarding multiple hiring appeared to be: the unattractiveness of the discount, safety for both drivers and passengers, lack of promotion about the service and need for an 'organiser' to gather willing passengers.<sup>102</sup>

### **Having regard to the decision making principles under the Transport Integration Act**

We had regard to each of the decision making principles under the Transport Integration Act 2010 in making our decision. Our approach to regulating maximum fares is consistent with the decision making principles, particularly: the principle of transparency, the principle of stakeholder engagement and community participation, the principle of integrated decision making, the principle of equity and the principle of the transport system user perspective.

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<sup>102</sup> Essential Services Commission, Taxi fare review 2013-14: Final report, March 2014, pp.100-101.

## Appendix D: Estimate of cost changes based on the taxi cost index

This appendix provides the figures necessary to understand our estimate of changes in taxi costs over the last two years.

### We measure changes in costs using our taxi cost index

In the past taxi fare reviews, we used our taxi cost index to measure changes in costs. During our 2013-14 fare review, we conducted a survey of metropolitan taxi operators to understand the typical cost of operating taxis in the metro and urban zones.<sup>103</sup>

From the survey we identified key operational costs and their shares of total costs. We used publicly available price indexes to measure the change in each cost component and estimate the total change in taxi costs for conventional and wheelchair accessible taxis.<sup>104</sup> Relevant components and price indexes used are summarised in Table D.1.

**Table D.1: Key costs for taxi operators and corresponding inflators**

Cost component	Description	Price index used
Fuel	Total fuel costs incurred by a taxi.	FuelTRAC LPG
Network fees	Costs associated with network affiliation. Operators receive access to services such as centralised booking and dispatch and networked security alarms.	50% equipment – CPI (telecommunications equipment and services, Melbourne) 50% labour – Wage Price Index (WPI)
Insurance	Comprehensive insurance and workers' compensation insurance.	80% comprehensive – ICA comprehensive car insurance index 20% workers compensation – WPI
Vehicle cost	Includes costs associated with purchasing or leasing a vehicle, including fit-out. We have used purchase costs amortised over the life of the vehicle.	Imputed based on CPI (motor vehicle, Melbourne) and Reserve Bank of Australia lending rates for small business

<sup>103</sup> Essential Services Commission, Taxi fare review 2013-14: Final report, March 2014.

<sup>104</sup> With the exception of fuel prices where we use proprietary data from FuelTRAC.

Cost component	Description	Price index used
Registration / TAC	Includes compulsory third party insurance (Transport Accident Charge).	Imputed based on actual Transport Accident Commission charge
Repairs	Includes the cost of operators' own time, staff costs and costs paid to other businesses for maintenance and repairs.	CPI (maintenance and repairs of motor vehicles, Melbourne)
Administration	Includes the cost of operators' own time, staff costs and costs paid to other businesses for administration (e.g. accountant).	94% WPI 6% CPI
Driver labour	Payment made to drivers as per the Driver Agreement <sup>105</sup>	WPI (transport, postal and warehousing)

\*Note: For this decision, we have added driver labour and indexed it by the WPI.

## Our current taxi cost index shows costs for taxis have decreased slightly

Overall, the cost of providing taxi services decreased by 0.4 per cent from June 2018 to June 2020 in nominal terms (Table D.2). The decrease in costs has been largely influenced by a decrease in fuel costs, and to a lesser extent by decreases in network equipment costs and registration and Transport Accident Commission costs.

The estimated change in costs for wheelchair accessible taxis using our current taxi cost index is similar to that of conventional taxis at a 0.3 per cent decrease from June 2018 to June 2020. The decrease in costs has been largely driven by decreases in fuel costs, and to a lesser extent by decreases in network equipment costs and registration and Transport Accident Commission costs.

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<sup>105</sup> The driver must receive at least 55 per cent of the gross fares earned while they have possession of the vehicle. Commercial Passenger Vehicles Victoria, Drivers, accessed on 2 June 2020, <https://cpv.vic.gov.au/drivers/accredited-driver-responsibilities/driver-agreement>; Commercial Passenger Vehicle Industry Act 2017, s. 97.

**Table D.2: Cost change for conventional taxis according to our current cost index, June 2018 – June 2020**

Cost components	Cost share	Change for cost component	Contribution to overall change in index
Fuel	15.4%	-16.6%	-2.6%
Network (equipment)	2.9%	-8.2%	-0.2%
Network (labour)	2.9%	4.6%	0.1%
Comprehensive insurance	2.7%	7.4%	0.2%
Workers' compensation	0.7%	4.6%	0.0%
Vehicle	5.2%	0.6%	0.0%
Registration/TAC	1.8%	-65.6%	-1.2%
Repairs and maintenance	8.0%	7.5%	0.6%
Administration	5.4%	4.4%	0.2%
<b>Taxi operating costs</b>	<b>45.0%</b>	<b>NA</b>	<b>-2.7%</b>
Driver labour	55.0%	4.3%	2.3%
<b>Total*</b>	<b>100.0%</b>	<b>NA</b>	<b>-0.4%</b>

\*Note: Due to rounding, the totals may not equal the sum of the columns

## Appendix E: Stakeholders who made a submission

### **Booking service provider**

- 13cabs

### **Peak body**

- Australian Taxi Drivers Association
- Blind Citizens Australia

### **Individual**

- Raj
- Jenny-Anne Letch
- Anonymous
- Anonymous
- Anonymous

# Appendix F: Different approaches to assessing maximum fares

In our consultation paper, we sought stakeholders' feedback on five options for assessing maximum fares. We summarise these approaches in this appendix including how we have considered them.

We addressed stakeholders' feedback on the different approaches in Chapter 4 of our draft decision paper.<sup>106</sup>

Table F.1 below provides a simple comparison of the five options. Each option varies in the level of complexity and the administrative burden it would place on regulated businesses.

**Table F.1: Comparison of approaches for assessing the level of maximum fares**

	Complexity	Administrative burden
Market outcomes	Highest	High
Update the current taxi cost index	Medium	Low
Construct a new taxi cost index	High	Medium
No change	Low	Low
Vary by CPI	Low	Low

## Market outcomes approach

Market outcomes are the levels of demand and supply that prevail in the commercial passenger vehicle industry. It does not tell us the required change in the level of maximum fares, but it assists us in assessing the direction of efficient costs relative to maximum fares. Analysing the balance between supply (taxi shifts) and demand (taxi trips) for commercial passenger vehicle services can give us information as to what should happen to the level of the maximum fares at particular times and places — that is, whether there is a case for maximum fares to change or stay the same (including at different times of the day, week or year). As part of the market outcomes approach, we update our taxi cost index to account for the change in efficient costs of providing unbooked taxi services.

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<sup>106</sup> Essential Services Commission, Unbooked taxi fare review 2020 – Draft decision, June 2020, pp.21-24.

Our 2016 and 2018 reviews used a market outcomes approach. The strength of this approach is that we have information on where current maximum fares are relative to the efficient level given the levels of supply and demand observed. The market outcomes approach requires the most input from industry participants as we need to collect a range of data such as taxi trip and shift data.

We did not use a detailed market outcomes approach for this review. We agree with stakeholders that to do so would impose an additional administrative burden on unbooked taxi and booking service providers during the coronavirus pandemic, which is having a significant effect on the industry. Instead, we have used a simplified market outcomes approach using qualitative data on demand for and supply of taxis (see Chapter 2).

## **Current taxi cost index**

A cost index provides a way to estimate, and track, the cost of a good or service over time. To measure changes in the costs of operating a taxi over time, we constructed a taxi cost index in 2013. We could update our taxi cost index (including a cost category for driver labour) to assess how taxi costs have changed since our last review in 2018.

Using our current index has the benefit of being quick, transparent, and not requiring industry participants to provide any further information on their costs for this review. The downside of this approach is that it may not fully account for technological or other changes that may have occurred in the commercial passenger vehicle industry since we last reviewed costs. For example, the shift from LPG vehicles to hybrid vehicles may have changed taxi operators' costs.

For this review, we have used the taxi cost index for an approximate indication of how the costs of providing unbooked taxi services have changed since our last fare review, while noting the concern stakeholders expressed that the taxi cost index is not sufficiently reflective of current costs.

In coming to our decision, we have balanced the possible decrease in costs suggested by the taxi cost index with a range of other considerations as discussed in Chapter 1. We consider that this approach and methodology best meets our legislative objectives.

## **Reviewing the cost basket**

In undertaking this approach, we would review the cost basket and inflators in our taxi cost index and construct a new taxi cost index. We would need to identify the cost components associated with providing unbooked taxi services, and the cost share for each cost component (i.e. the weighting given to each cost component). We would need to determine whether to include all the cost components used in the cost basket from our previous review, and whether to include additional cost components. To do this, we could undertake a survey of taxi operators on their current costs.

In refreshing the cost basket, the factors we would adjust for include driver costs,<sup>107</sup> changes in technology<sup>108</sup> and other costs that may have changed since our 2018 review.

This approach would require significantly more evidence from taxi operators than the alternative of updating the current taxi cost index. That is, we would need to collect a range of cost and market data from taxi operators. Given the coronavirus pandemic has almost shut down the taxi industry, that would be an almost impossible task now.

Therefore, we did not review the cost basket for this review. We agree with stakeholders that a detailed market outcomes approach would impose an additional administrative burden on unbooked taxi and booking service providers during the coronavirus pandemic, which is having a significant effect on the industry.

## **Keeping fares unchanged**

This option means that we could keep maximum fares at their current levels if stakeholders consider that due to the coronavirus pandemic, they are unable to participate fully in the review.

The benefits of this approach are that it would provide stakeholders some certainty during an uncertain time and industry participants would not be required to provide cost or market outcomes data if unable to do so.

Our final decision is to keep maximum fares unchanged (see Chapter 1).

## **Varying fares by CPI**

Another option that could be used would be to vary fares to reflect changes in the consumer price index (CPI). This measure was recommended by the recent 2019 parliamentary inquiry into the Commercial Passenger Vehicle Industry Act 2017 reforms.<sup>109</sup> The main downside of varying

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<sup>107</sup> Our previous review did not explicitly consider driver labour costs as a separate cost component. Driver share was accounted for by determining the total cost and multiplying that to account for the driver's share (currently 55 per cent mandated revenue share). This is consistent with the driver (bailee) as the direct provider of taxi services to customers after having rented (bailed) the vehicle from an operator under a commercial arrangement.

<sup>108</sup> Some cost components may no longer be relevant and there may be new cost components due to changes in technology. For example, we note that since we constructed our taxi cost index, hybrid taxis have become more common and LPG taxis have become less common.

<sup>109</sup> Parliament of Victoria, Legislative Council Economy and Infrastructure Committee, Inquiry into the Commercial Passenger Vehicle Industry Act 2017 reforms, November 2019, pp.50-51.

maximum fares by CPI is it is not as reflective of the costs of providing unbooked taxi services as the taxi cost index.<sup>110</sup>

The inquiry also commented on the impact of market reforms, which have resulted in lower incomes for many drivers of booked and unbooked CPVs.<sup>111</sup> We regulate the maximum fares for unbooked taxi services, not driver incomes. Increasing the maximum fares by CPI does not mean driver incomes will increase. It is even possible driver incomes will further decrease if the higher fare causes passengers to use alternative methods of transport rather than unbooked taxis.

Some stakeholders suggested adjusting maximum fares in line with the consumer price index (CPI). Our main consideration for not adopting a CPI adjustment is because it is not as reflective of the costs of providing taxi services as the taxi cost index.

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<sup>110</sup> CPI measures changes in the price of a fixed basket of goods and services comprising items bought by Australian households, whereas our taxi cost index measures changes in the specific costs of operating a taxi. The price level of items bought by Australian households are not necessarily representative of the price level of inputs to operating a taxi.

<sup>111</sup> Parliament of Victoria, Legislative Council Economy and Infrastructure Committee, Inquiry into the Commercial Passenger Vehicle Industry Act 2017 reforms, November 2019, p. 44.

## Appendix G: Industry context

This appendix provides context for the review, including a brief overview of the commercial passenger vehicle (CPV) industry. We also recap the key outcomes of our 2018 unbooked CPV fare review and outline some of the industry reforms since our last review.

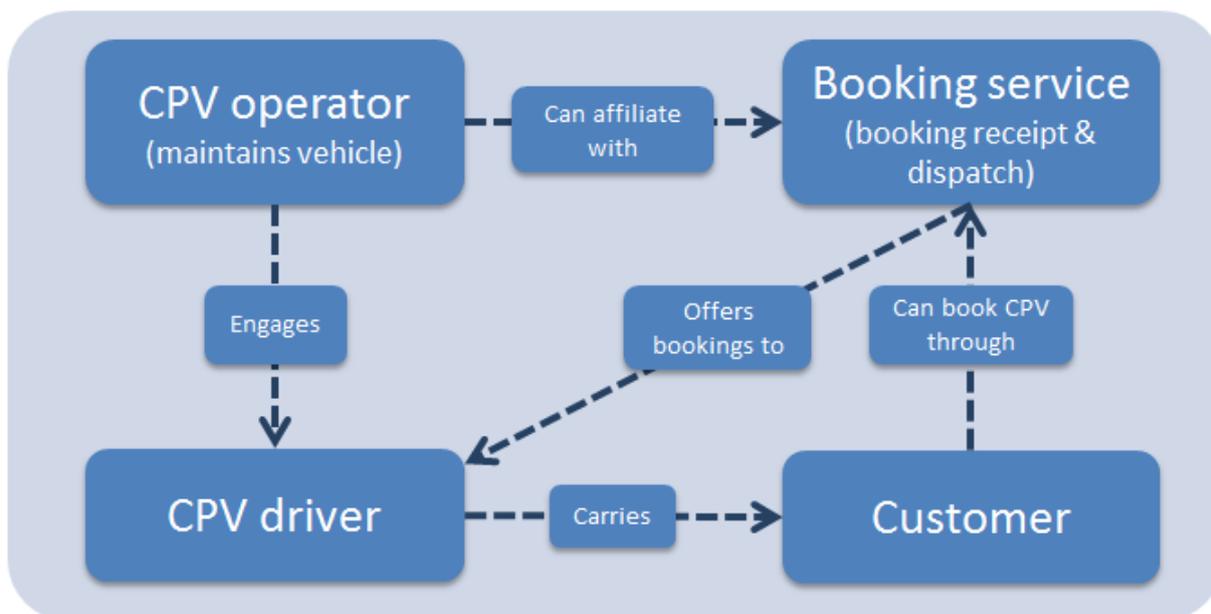
### The commercial passenger vehicle industry

The CPV industry provides flexible motor vehicle transport services where passengers choose their points of departure and destinations. This differs from other commercial modes of transport which generally have fixed routes.

#### Commercial passenger vehicle industry participants

There are three types of CPVs: hire cars, taxis, and ride-share services. These services are operated by three main types of industry participants: vehicle operators, vehicle drivers and booking services. The main functions of these participants are shown in Figure G.1. Individual entities may assume multiple roles within the supply chain. For example, it is becoming more common for operators to drive their vehicles and some booking services to operate vehicles.

**Figure G.1 Commercial passenger vehicle industry participants**



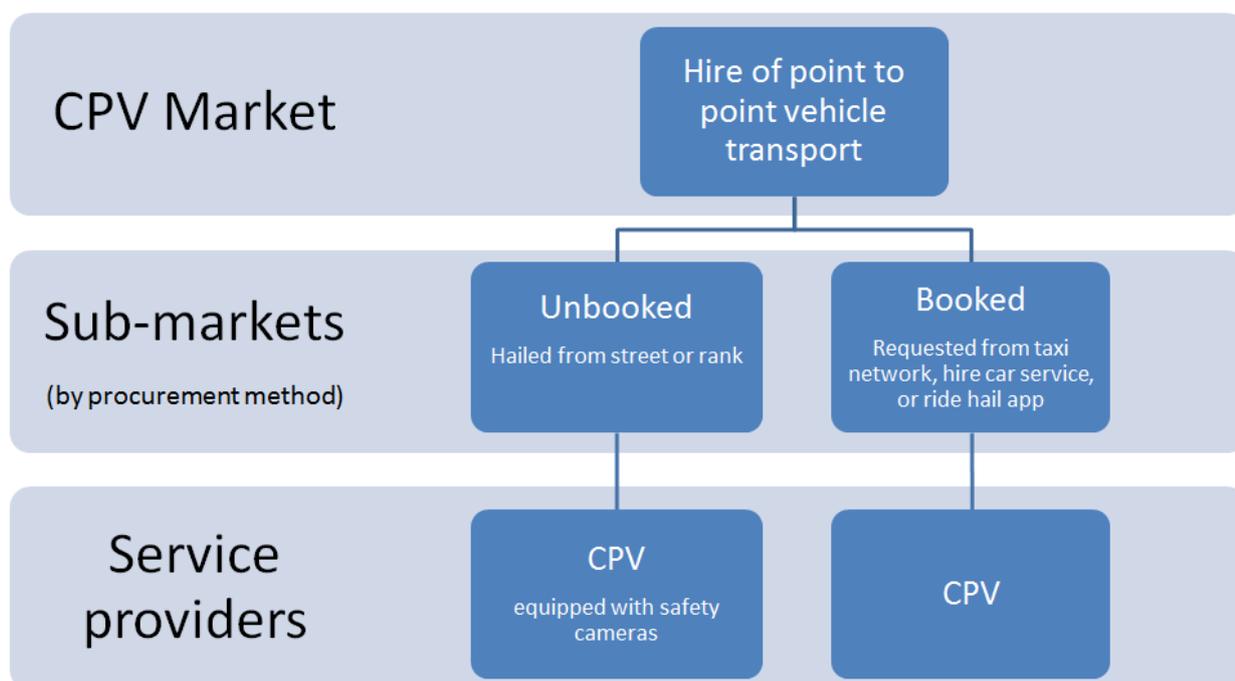
#### Sub-markets and service providers

To reflect the way services are procured, the CPV industry may be segmented into two sub-markets: the booked market and the unbooked market.

The booked market refers to all CPV services that have been provided through a booking service provider such as Silver Top or GoCatch.

By contrast, the unbooked market refers to all other CPV services. In practice this means unbooked CPV services occur when a CPV is hailed from the street or from a rank. Any CPV may be registered to provide unbooked CPV services provided it complies with specific legislative requirements (for example a fare calculation device is installed<sup>112</sup> and a security camera is installed<sup>113</sup>). Figure G.2 illustrates the differences between booked and unbooked CPV services.

**Figure G.2 Sub-markets for commercial passenger vehicle services**



Hire cars and ride-share vehicles that operate exclusively in the booked market are not subject to fare regulation. Fares for taxis requested through a booking service provider are also not subject to regulation. In the unbooked sub-market, negotiation of fares between service providers and customers may be difficult or impractical. Customers do not have complete information on the availability of services and fares offered by other service providers.

In the booked market, customers are typically better placed to negotiate prices. It is easier to seek a fare estimate upfront and compare service providers over the phone or the internet.

<sup>112</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 12.

<sup>113</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 14.

## Commercial passenger vehicle zones

As we have discussed in Appendix B, the maximum fares that we set for unbooked CPV services only apply to trips that begin in the Melbourne Metropolitan zone or the Urban and Large Regional zone.

## Recent reforms affecting unbooked taxis

Since our last review there have been some changes to the way the CPV industry is regulated. The impact of these changes is not as large as those related to the reforms that happened around the time of our last review in 2018.

Reforms with particular relevance to our current review include:

- additional safety duties: maintaining a register of safety risks and reporting notifiable incidents
- changes to the Multi Purpose Taxi Program (MPTP).

## Additional safety duties for CPV industry participants

From 1 March 2019 registered booking service providers must establish and maintain a register of safety risks associated with the provision of CPV services by associated drivers. The register must contain:

- the identification and description of the risk
- an outline of the action to be taken to mitigate or eliminate the identified risk
- the person, or class of person responsible for taking the actions referred to above.

Furthermore, the responsible person must review and if necessary, revise this register annually.<sup>114</sup>

In addition, Commercial Passenger Vehicles Victoria must be notified in writing of the following incidents, if they occur in relation to the use of a commercial passenger vehicle to provide a commercial passenger vehicle service:

- an incident resulting in the death of or serious injury to any person
- an incident resulting in attendance by a police officer or health professional.<sup>115</sup>

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<sup>114</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 5 and r. 6.

<sup>115</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 7; Commercial Passenger Vehicle Industry Act 2017, s. 272.

## **A potential change to the Multi Purpose Taxi Program (MPTP)**

The MPTP program offers subsidised taxi fares to support the travel needs of people with severe and permanent disabilities. The program pays for 50 per cent of the cost of each taxi trip, up to a maximum of \$60 per trip.<sup>116</sup>

The National Disability Insurance Scheme (NDIS) is being progressively rolled out across Victoria. This may affect the way the taxi trips of MPTP program users are funded.

The intent is that eligible users will receive transport support through the NDIS. There will be interim measures to increase transport funding for NDIS participants who are significant users of the taxi subsidy scheme. The Commonwealth government will be fully reimbursing states and territories for their taxi subsidy schemes for NDIS participants from 1 January 2020 until 31 October 2021.<sup>117</sup>

Providers will be able to claim some of their vehicle running costs when offering transport to a participant in conjunction with the community activities identified in their NDIS plan. These costs – which are in addition to the support worker’s time – are factored at a per kilometre rate and can be claimed by providers as a separate item as part of the support they are delivering to participants.<sup>118</sup>

In addition to this, Commercial Passenger Vehicles Victoria has started to introduce more transport options for MPTP passengers. Oiii vehicles are now providing services to MPTP members.<sup>119</sup> It has also trialled providing MPTP trips using ride-share services in Greater Geelong from March 2020 to May 2020.<sup>120</sup>

## **Competition in the commercial passenger vehicle industry**

Since our last review, platforms based on smartphone technology have continued to increase in number and market share.

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<sup>116</sup> Commercial Passenger Vehicles Victoria, Multi Purpose Taxi Program, accessed 24 May 2020, <https://cpv.vic.gov.au/passengers/mptp>.

<sup>117</sup> National Disability Insurance Agency, Delivering the NDIS plan: Flexibility in transport funding for NDIS participants, accessed 24 May 2020, <https://www.ndis.gov.au/news/4318-delivering-ndis-plan-flexibility-transport-funding-ndis-participants>.

<sup>118</sup> National Disability Insurance Agency, Delivering the NDIS plan: Flexibility in transport funding for NDIS participants, accessed 24 May 2020, <https://www.ndis.gov.au/news/4318-delivering-ndis-plan-flexibility-transport-funding-ndis-participants>

<sup>119</sup> Commercial Passenger Vehicles Victoria, Multi Purpose Taxi Program, accessed on 12 June 2020, <https://cpv.vic.gov.au/passengers/mptp>.

<sup>120</sup> Commercial Passenger Vehicles, MPTP Expansion Program trial with Uber in Greater Geelong, accessed 27 May 2019, <https://cpv.vic.gov.au/about-us/news/taxis/mptp-expansion-program-trial-with-uber-underway-in-greater-geelong>.

For instance, the use of smartphone booking ‘apps’ has increased the level of competition between existing taxi operators, hire car firms, taxi booking service providers, and newer ride-share booking service providers.

These ride-share booking service providers include services such as Didi, Ola, Bolt, and Uber. Fares for these trips are calculated through the app, varying with trip time and distance travelled. A base fare rate is set by the booking service provider.

Some service providers vary their rates using an algorithm that increases fares above the base rate during times of peak demand and limited supply. This provides for dynamic pricing in response to supply and demand.

Smart phone technology has also significantly changed the way that passengers can book a commercial passenger vehicle service. It is now common for passengers to book taxis using an app.

The increasingly availability of a wide variety of booking apps has had two notable impacts:

1. It has made bookings of taxis and hire cars where the customer requests an immediate pick up much easier. As a result, booked services are becoming a substitute for unbooked services.
2. Booking apps have introduced some degree of flexibility to fares for booked services. Since the deregulation of booked fares on 2 July 2018, some taxi booking service providers and operators have been providing discounted trips to and from airports.

However, apart from some booking services offering fixed fares, overall there has been very little change to the tariff structures for taxis.

# Appendix H: The legislation governing our role in regulating maximum fares

**Table H.1: Relevant sections of the Essential Services Commission Act 2001**

Section detail	
s. 8(1)	<p><b>Objective of the Commission</b></p> <p>In performing its functions and exercising its powers, the objective of the Commission is to promote the long term interests of Victorian consumers.</p>
s. 8(2)	<p>Without derogating from subsection (1), in performing its functions and exercising its powers in relation to essential services, the Commission must in seeking to achieve the objective specified in subsection (1) have regard to the price, quality and reliability of essential services.</p>
s. 8A(1)	<p><b>Matters which the Commission must have regard to</b></p> <p>In seeking to achieve the objective specified in section 8, the Commission must have regard to the following matters to the extent that they are relevant in any particular case—</p> <ul style="list-style-type: none"><li>(a) efficiency in the industry and incentives for long term investment;</li><li>(b) the financial viability of the industry;</li><li>(c) the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries;</li><li>(d) the relevant health, safety, environmental and social legislation applying to the industry;</li><li>(e) the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for—<ul style="list-style-type: none"><li>(i) consumers and users of products or services (including low income and vulnerable consumers);</li><li>(ii) regulated entities;</li></ul></li><li>(f) consistency in regulation between States and on a national basis;</li><li>(g) any matters specified in the empowering instrument.</li></ul>
s. 8A(2)	<p>Without derogating from section 8 or subsection (1), the Commission must also when performing its functions and exercising its powers in relation to a regulated industry do so in a manner that the Commission considers best achieves any objectives specified in the empowering instrument.</p>
s. 32(1)	<p><b>Price Regulation</b></p> <p>The Commission may regulate prescribed prices for or in respect of prescribed goods and services supplied by or within a regulated industry.</p>
s. 32(2)	<p>In this section—</p>

## Section detail

**prescribed goods and services** means any goods or services made, produced or supplied by or within a regulated industry which goods or services are specified in the empowering instrument as being goods or services in respect of which the Commission has power to regulate prices;

**prescribed price** means the price or price-range however designated for the supply or sale of any goods or services by or within a regulated industry or particular factors used in price-fixing or terms and conditions relating to the price at which particular goods or services are supplied or sold, being a price, price-range, factor or term and condition specified in the empowering instrument as being a price, price-range, factor or term and condition which the Commission has power to regulate.

### s.33(1) **Price determinations**

This section is subject to anything to the contrary in the empowering instrument specifying the prescribed prices or prescribed goods and services in respect of which the Commission is exercising its power of regulation.

s.33(2) In making a price determination, the Commission must adopt an approach and methodology which the Commission considers will best meet the objectives specified in this Act and any relevant legislation

s. 33(3) In making a determination under this section, the Commission must have regard to—

- (a) the particular circumstances of the regulated industry and the prescribed goods and services for which the determination is being made;
- (b) the efficient costs of producing or supplying regulated goods or services and of complying with relevant legislation and relevant health, safety, environmental and social legislation applying to the regulated industry;
- (c) the return on assets in the regulated industry;
- (d) any relevant interstate and international benchmarks for prices, costs and return on assets in comparable industries;
- (e) any other factors that the Commission considers relevant.

s. 33(4) In making a determination under this section, the Commission must ensure that—

- (a) the expected costs of the proposed regulation do not exceed the expected benefits; and
- (b) the determination takes into account and clearly articulates any trade-offs between costs and service standards.

s. 33(5) A price determination by the Commission may regulate a prescribed price for prescribed goods and services in any manner the Commission considers appropriate.

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## Section detail

- s. 33(6) Without limiting the generality of subsection (5), the manner may include—
- (a) fixing the price or the rate of increase or decrease in the price;
  - (b) fixing a maximum price or maximum rate of increase or minimum rate of decrease in the maximum price;
  - (c) fixing an average price for specified goods or services or an average rate of increase or decrease in the average price;
  - (d) specifying pricing policies or principles;
  - (e) specifying an amount determined by reference to a general price index, the cost of production, a rate of return on assets employed or any other specified factor;
  - (f) specifying an amount determined by reference to quantity, location, period or other specified factor relevant to the rate or supply of the goods or services;
  - (g) fixing a maximum average revenue or maximum rate of increase or minimum rate of decrease in the maximum average revenue in relation to specified goods or services;
  - (h) monitoring the price levels of specified goods and services.
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**Table H.2: Relevant sections of the Commercial Passenger Vehicle Industry Act 2017**

## Section detail

s. 3 **Definitions**

unbooked commercial passenger vehicle service means a commercial passenger vehicle service that is provided other than as a result of the provision of a booking service;

s. 4 **Meaning of commercial passenger vehicle services**

(1) A commercial passenger vehicle service is the carriage, for a fare or other consideration, of one or more passengers in a motor vehicle on a journey that begins in Victoria and ends at one or more destinations (whether in or outside Victoria).

(2) Each of the following activities is also a commercial passenger vehicle service—

(a) doing either of the following things while being available to provide the service referred to in subsection (1)—

- (i) driving a motor vehicle;
- (ii) being in charge of a motor vehicle;

(b) driving a motor vehicle to collect a passenger referred to in subsection (1).

(3) None of the following things is a commercial passenger vehicle service—

- (a) a charitable passenger service;
  - (b) a vehicle pooling service;
  - (c) driving a motor vehicle while being available to provide a charitable passenger service or a vehicle pooling service;
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## Section detail

- (d) driving a motor vehicle to collect a passenger for a charitable passenger service or a vehicle pooling service;
- (e) the driving of a vehicle operated by or on behalf of and under the control of—
  - (i) an ambulance service created under section 23 of the Ambulance Services Act 1986 or listed in Schedule 1 to that Act; or
  - (ii) an ambulance service created under a law in force in another State or in a Territory of the Commonwealth;
- (f) the driving of a motor vehicle for the purposes of a non-emergency patient transport service (within the meaning of the Non-Emergency Patient Transport Act 2003).

### s. 110A **Definitions**

In this Division—

**applicable unbooked service** means an unbooked commercial passenger vehicle service in respect of carriage on a journey that begins in—

- (a) the Melbourne Metropolitan Zone; or
- (b) the Urban and Large Regional Zone;

**Melbourne Metropolitan Zone** means the Melbourne Metropolitan Zone established under section 143B(1)(a) of the Transport (Compliance and Miscellaneous) Act 1983 (as in force immediately before the commencement of item 10.7 of Schedule 1 to the Commercial Passenger Vehicle Industry Amendment (Further Reforms) Act 2017;

**Urban and Large Regional Zone** means the Urban and Large Regional Zone established under section 143B(1)(b) of the Transport (Compliance and Miscellaneous) Act 1983 (as in force immediately before the commencement of item 10.7 of Schedule 1 to the Commercial Passenger Vehicle Industry Amendment (Further Reforms) Act 2017.

### s. 110B **Application of Essential Services Commission Act 2001**

- (1) For the purposes of the Essential Services Commission Act 2001 —
  - (a) this Division is relevant legislation; and
  - (b) the commercial passenger vehicle industry is a regulated industry in relation to applicable unbooked services.
- (2) If there is any inconsistency between this Division and a provision of the Essential Services Commission Act 2001, the provision of this Division prevails.

### s. 110C **Objective of the ESC**

The objective of the ESC in relation to the commercial passenger vehicle industry is to promote the efficient provision and use of applicable unbooked services.

### s. 110D **Powers in relation to fares regulation**

For the purposes of Part 3 of the Essential Services Commission Act 2001 —

- (a) applicable unbooked services are prescribed services; and

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## Section detail

- (b) the maximum charges for the services covered by paragraph (a) are prescribed prices.

### s. 110E **Price determinations**

Without limiting section 33(5) of the Essential Services Commission Act 2001, the manner in which the ESC may regulate prescribed prices includes determining different prices according to—

- (a) the time of day at which, or day of the week or kind of day on which, an applicable unbooked service is provided;
- (b) the speed at which the commercial passenger vehicle used in the provision of the applicable unbooked service is travelling;
- (c) the distance travelled by the commercial passenger vehicle used in the provision of the applicable unbooked service;
- (d) the type of commercial passenger vehicle used in the provision of the applicable unbooked service;
- (e) the occupancy of the commercial passenger vehicle used in the provision of the applicable unbooked service, including where there is more than one passenger;
- (f) where a journey in respect of which the applicable unbooked service is provided begins or ends;
- (g) the prevailing economic conditions, including the price of fuel and the consumer price index; and
- (h) any other matter the ESC considers to be relevant.

### s. 110F **Exercise of regulatory functions**

(1) The ESC must make a determination under this Division of the maximum charges for applicable unbooked services before the first anniversary of the day on which this section comes into operation.

(2) The ESC must complete a review of a price determination no later than 2 years after it is made.

### s. 110G **Offence to charge or ask for a fare for an unbooked service in excess of the maximum fare**

A person who drives a commercial passenger vehicle for the purpose of providing an applicable unbooked service must not charge or ask for a fare for the service that is in excess of the fare or hiring rates permitted by a determination of the ESC under this Division.

Penalty: 60 penalty units.

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**Table H.3: Relevant sections of the Transport Integration Act 2010**

Section detail	
s. 3	<p><b>Definitions</b></p> <p><b>commercial passenger vehicle service</b> has the same meaning as it has in the Commercial Passenger Vehicle Industry Act 2017;</p> <p><b>transport body</b> means—</p> <p>(v) the Essential Services Commission established under section 7 of the <b>Essential Services Commission Act 2001</b> when it is exercising its functions and powers under any transport legislation in respect of the transport system;</p> <p><b>transport legislation</b> means—</p> <p>(ea) Commercial Passenger Vehicle Industry Act 2017;</p> <p><b>transport services</b> includes—</p> <p>(ca) commercial passenger vehicle services;</p> <p><b>transport system</b> means all the components which make up the system for the movement of persons and goods including—</p> <p>(d) the services components including passenger, freight and any other transport services to move persons and goods;</p>
s. 7	<p><b>Transport system objectives</b></p> <p>This Division specifies the transport system objectives.</p>
s. 8	<p><b>Social and economic inclusion</b></p> <p>The transport system should provide a means by which persons can access social and economic opportunities to support individual and community wellbeing including by—</p> <p>(a) minimising barriers to access so that so far as is possible the transport system is available to as many persons as wish to use it;</p> <p>(b) providing tailored infrastructure, services and support for persons who find it difficult to use the transport system.</p>
s. 9	<p><b>Economic prosperity</b></p> <p>The transport system should facilitate economic prosperity by—</p> <p>(a) enabling efficient and effective access for persons and goods to places of employment, markets and services;</p> <p>(b) increasing efficiency through reducing costs and improving timeliness;</p> <p>(c) fostering competition by providing access to markets;</p> <p>(d) facilitating investment in Victoria;</p> <p>(e) supporting financial sustainability.</p>

s.10 **Environmental sustainability**

The transport system should actively contribute to environmental sustainability by—

- (a) protecting, conserving and improving the natural environment;
- (b) avoiding, minimising and offsetting harm to the local and global environment, including through transport-related emissions and pollutants and the loss of biodiversity;
- (c) promoting forms of transport and the use of forms of energy and transport technologies which have the least impact on the natural environment and reduce the overall contribution of transport-related greenhouse gas emissions;
- (d) improving the environmental performance of all forms of transport and the forms of energy used in transport;
- (e) preparing for and adapting to the challenges presented by climate change.

s.11 **Integration of transport and land use**

- (1) The transport system should provide for the effective integration of transport and land use and facilitate access to social and economic opportunities.
- (2) Without limiting the generality of subsection (1), transport and land use should be effectively integrated so as to improve accessibility and transport efficiency with a focus on—
  - (a) maximising access to residences, employment, markets, services and recreation;
  - (b) planning and developing the transport system more effectively;
  - (c) reducing the need for private motor vehicle transport and the extent of travel;
  - (d) facilitating better access to, and greater mobility within, local communities.
- (3) Without limiting the generality of subsection (1), the transport system and land use should be aligned, complementary and supportive and ensure that—
  - (a) transport decisions are made having regard to the current and future impact on land use;
  - (b) land use decisions are made having regard for the current and future development and operation of the transport system;
  - (c) transport infrastructure and services are provided in a timely manner to support changing land use and associated transport demand.
- (4) Without limiting the generality of subsection (1), the transport system should improve the amenity of communities and minimise impacts of the transport system on adjacent land uses.

s.12 **Efficiency, coordination and reliability**

- (1) The transport system should facilitate network-wide efficient, coordinated and reliable movements of persons and goods at all times.
- (2) Without limiting the generality of subsection (1), the transport system should—

## Section detail

- (a) balance efficiency across the network so as to optimise the network capacity of all modes of transport and reduce journey times;
- (b) maximise the efficient use of resources including infrastructure, land, services and energy;
- (c) facilitate integrated and seamless travel within and between different modes of transport;
- (d) provide predictable and reliable services and journey times and minimise any inconvenience caused by disruptions to the transport system.

### s.13 **Safety and health and wellbeing**

- (1) The transport system should be safe and support health and wellbeing.
- (2) Without limiting the generality of subsection (1), the transport system should—
  - (a) seek to continually improve the safety performance of the transport system through—
    - (i) safe transport infrastructure;
    - (ii) safe forms of transport;
    - (iii) safe transport system user behaviour;
  - (b) avoid and minimise the risk of harm to persons arising from the transport system;
  - (c) promote forms of transport and the use of forms of energy which have the greatest benefit for, and least negative impact on, health and wellbeing.

### s. 14 **Decision making principles**

This Division specifies the decision making principles.

### s.15 **Principle of integrated decision making**

The principle of integrated decision making means seeking to achieve Government policy objectives through coordination between all levels of government and government agencies and with the private sector

### s.16 **Principle of triple bottom line assessment**

The principle of triple bottom-line assessment means an assessment of all the economic, social and environmental costs and benefits taking into account externalities and value for money.

### s.17 **Principle of equity**

The principle of equity means—

- (a) equity between persons irrespective of their—
  - (i) personal attributes, including age, physical ability, ethnicity, culture, gender and financial situation; or

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- (ii) location, including whether in a growth, urban, regional, rural or remote area;
- (b) equity between generations by not compromising the ability of future generations to meet their needs

### s.18 **Principle of the transport system user perspective**

The transport system user perspective means—

- (a) understanding the requirements of transport system users, including their information needs;
- (b) enhancing the useability of the transport system and the quality of experiences of the transport system.

### s.19 **Precautionary principle**

- (1) The precautionary principle means that if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.
- (2) The precautionary principle includes—
  - (a) a careful evaluation to avoid serious or irreversible damage to the environment wherever practicable; and
  - (b) an assessment of the risk-weighted consequences of various options.

### s. 20 **Principle of stakeholder engagement and community participation**

The principle of stakeholder engagement and community participation means—

- (a) taking into account the interests of stakeholders, including transport system users and members of the local community;
- (b) adopting appropriate processes for stakeholder engagement.

### s. 21 **Principle of transparency**

The principle of transparency means members of the public should have access to reliable and relevant information in appropriate forms to facilitate a good understanding of transport issues and the process by which decisions in relation to the transport system are made.

### s. 24 **Application to a transport body**

- (1) A transport body must have regard to the transport system objectives in exercising its powers and performing its functions under any transport legislation.
- (2) A transport body must have regard to the decision making principles in making decisions under any transport legislation.
- (2A) Subsections (1) and (2) do not apply to a transport body when it is exercising a power or performing a function for or in relation to—
  - (a) the grant, issue or giving of a transport authorisation; or
  - (b) the renewal of a transport authorisation; or

## Section detail

- (c) the amendment or variation of, or change to, a transport authorisation or any conditions to which a transport authorisation is subject; or
- (d) the suspension of a transport authorisation; or
- (e) the cancellation of a transport authorisation; or
- (f) the revocation of a transport authorisation or any condition to which a transport authorisation is subject.

(3) If a transport body is a specified transport body in a statement of policy principles, it must have regard to the specified policy principles which apply to it under the statement of policy principles.

(4) If a transport body is exercising a power which is a specified power in a statement of policy principles or performing a function which is a specified function in a statement of policy principles, it must have regard to the specified policy principles which apply under the statement of policy principles.

(5) An Act specified in the heading to an item in Schedule 1 is amended, on the commencement of that item or a provision of that item, as set out in that item or provision.

(6) In this section—

transport authorisation means a licence, an accreditation, a permit, a permission, an exemption or a registration under transport legislation.

### s. 26 **Weight to be given to transport system objectives**

For the purposes of sections 24 and 25, a transport body or interface body may determine the weight to give to each transport system objective.

### s. 27 **Weight to be given to decision making principles**

For the purposes of sections 24 and 25, a transport body or interface body may determine the weight to give to each decision making principle.

### s. 28 **Effect of this Part**

The Parliament does not intend by this Part to create in any person any legal right or to give rise to any civil cause of action.

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# Glossary

Term	Definition
Booking service provider	A person, company or association that provides a booking service. A person provides a booking service if they carry on the business of receiving requests for persons to be provided with CPV services and arranging or facilitating the acceptance of those requests by or on behalf of drivers of CPVs.
Commercial Passenger Vehicle (CPV)	A motor vehicle registered to provide a CPV service.
CPV levy	The Commercial Passenger Vehicle Industry Act 2017 imposes a levy in respect of each commercial passenger vehicle service transaction carried out during a return period. It is initially set at \$1 per commercial passenger vehicle transaction. The purpose of the CPV levy is to partly fund the regulation of the CPV industry and to recover the cost of transitional assistance provided to certain participants in the CPV industry.
CPV operator	A person who owns, maintains and operates a CPV. A CPV operator may engage a driver for their vehicle or they may drive the vehicle themselves.
CPV service	The carriage for a fare or other consideration of one or more passengers in a motor vehicle on a journey that begins in Victoria and ends at one or more destinations (whether in or outside Victoria), excluding a bus used to provide a bus service.
Day tariff	The maximum tariff rates applicable from 9am to 5pm for unbooked CPV services that begin in the Metropolitan zone or east urban area.
Detention rate	A fare component that is a per minute charge. In the current 'time <b>or</b> distance tariffs', the detention rate applies when travelling at 21 kilometres per hour or slower.
Distance rate	A fare component that is a fee per kilometre travelled. In current 'time <b>or</b> distance' tariff the distance rate applies when travelling over 21 kilometres per hour.

Fare calculating/metering device	<p>A mechanical, electrical or electronic device that calculates, records or displays information about fares and charges for the provision of unbooked commercial passenger vehicle services.</p> <p>Commercial Passenger Vehicles Victoria may determine specifications in relation to fare calculation devices installed in a CPV.</p>
Fare structure	Refers to the system by which fare components apply to calculate the fare of a trip. For example, individual fare components include: the flagfall, distance rate, detention rate and booking fee.
Flagfall	A fare component that is a fixed fee charged regardless of the distance travelled or journey time.
High occupancy	<p>The carriage of five or more passengers at a time in a CPV. A high occupancy fee may be charged when a CPV has been hired for the carriage of five or more passengers in relation to the provision of an unbooked taxi service. A high occupancy fee cannot be charged if the CPV does not have the capacity for the carriage of five or more passengers in fixed seats. 'Fixed seats' does not include positions for the carriage of persons in wheelchairs.</p>
High occupancy vehicle (HOV)	A class of taxi which can carry up to 11 passengers. Higher taxi fares apply to HOVs if carrying at least five passengers or if the hirer requests a HOV. The higher rate does not apply when the hirer is a wheelchair passenger.
Maximum fares	The maximum charges for unbooked taxi services supplied by or within the CPV industry.
Metropolitan zone (metro zone)	Referred to in legislation as the 'Melbourne Metropolitan Zone', the zone comprising key areas of metropolitan Melbourne (see Commercial Passenger Vehicles Victoria website for zone maps).
Multi-Purpose Taxi Program (MPTP)	A government program that subsidises taxi fares for people with severe and permanent disabilities.
National Disability Insurance Scheme (NDIS)	A national scheme for people with disability. It provides funding directly to individuals.
Overnight tariff	The maximum tariff rates in the metro zone applicable from 5pm to 9am for unbooked CPV

	services that begin in the Metropolitan zone or east urban area (excluding the peak tariff period).
Peak tariff	In the metro zone, the maximum tariff rates applicable from 10pm to 4am on Friday and Saturday nights, all day Christmas Day, Boxing Day, from 6pm on New Year's Eve and all day New Year's Day for unbooked CPV services that begin in the Metropolitan zone or east urban area.
Price determination	A price determination is the legislative instrument we use to regulate maximum fares.
Rideshare services	Booked commercial passenger vehicle services that use the driver's personal vehicle to provide a transport service. These services are offered to passengers through a registered booking service, generally a smartphone 'app'.
'Time and distance' tariff	A 'time and distance' tariff calculates fares for unbooked taxi services using a time rate and distance rate that apply at the same time.
'Time or distance' tariff	A 'time or distance' tariff, calculates fares for unbooked taxi services using only the 'time or distance' rate that applies (depending on the speed of the vehicle).
Unbooked taxi	A CPV that provides unbooked CPV services.
Unbooked taxi service	Referred to in legislation as an 'applicable unbooked service'. An applicable unbooked service means an unbooked CPV service in respect of carriage on a journey that begins in the Metropolitan zone or Urban zone.
Unbooked market	A sub-market of the market for CPV services, whereby the service is provided other than as a result of the provision of a booking service (e.g. services are procured either from taxi ranks or hailed from the street). The rank and hail market is serviced exclusively by taxis.
Urban zone	Referred to in legislation as 'the Urban and Large Regional Zone', the zone comprising of Geelong, Ballarat, Bendigo, Frankston, Dandenong and the Mornington Peninsula (see Commercial Passenger Vehicles Victoria website for zone maps).