

### Essential Services Commission

We are Victoria's independent economic regulator of essential services. We have a regulatory role in the electricity, gas, water, ports, rail freight and taxi industries.

Our website is: [www.esc.vic.gov.au](http://www.esc.vic.gov.au)

### Taxi Fare Review 2013-14

#### Our role

The Minister for Public Transport issued us a terms of reference requesting a final report on new taxi fares by the end of March 2014. We have previously conducted two taxi fare reviews, in 2005 and 2008. We have also reviewed two share-ride taxi fare proposals in 2012 (Melbourne) and 2013 (Geelong).

In this review, we are required to report on appropriate taxi fares for the metropolitan, outer suburban, urban and country zones, and an appropriate way to deal with volatile costs, such as fuel.

This fare review is of particular importance as it is the first review after the Taxi industry Inquiry and subsequent Government reforms. In addition, it is the first review in over five years with no fare change since the fare increase of 6.1 per cent in December 2008.

#### Our consultation

During the review we held over 50 meetings with taxi operators, drivers, customer and industry groups, network service providers and meter suppliers. We also conducted a survey of operators and drivers to gain a better understanding of the underlying costs and challenges in providing taxi services. In addition, we issued a number of short discussion papers inviting stakeholder responses and submissions.

#### Our approach

We have taken a five step approach to recommending our new taxi fares.

First, we established objectives and fare setting principles that reflect the terms of reference provided to us and the relevant legislation.

Second, we collected trip data, via the Taxi Services Commission, from network service providers. We also collected information about the industry through our operator and driver surveys as well as through the use of industry benchmarking.

Third, we re-examined the approach used in setting fares and dispensed with the traditional 'cost stack' approach to determining fares.

Fourth, we sought to improve the structure of taxi fares in order to better match the supply of taxis with the varying pattern of customer demand at different times of the day and week. We have also taken some preliminary steps in modelling the dynamic interaction between the supply and demand sides of the taxi market.

Fifth, we have suggested some ways in which taxi fares might be set in the future which support a greater emphasis on competition rather than regulation.