

# Unbooked taxi fare review 2020

Draft decision

30 June 2020



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# 1. Our draft decision is to keep maximum fares unchanged

## **Our role is to 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.<sup>1</sup> Unbooked services are trips hailed from the street, hired from recognised taxi ranks, or trips that have not been booked via an application, over the phone or via a website.

Fares for booked commercial passenger vehicles are not regulated.

In this draft decision paper, we refer to unbooked commercial passenger vehicles as unbooked taxis 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 can also provide unbooked services.

When we make decisions on maximum fares for unbooked taxis, our objectives are to promote the long term interests of Victorian consumers<sup>2</sup> and the efficient provision and use of unbooked taxi services.<sup>3</sup> We must also have regard to a range of matters under the Essential Services Commission Act 2001<sup>4</sup> and the transport system objectives and decision making principles under the Transport Integration Act 2010.<sup>5</sup>

We are required to review (and set) the maximum fares for unbooked taxis no later than two years after a price determination is made.<sup>6</sup> The fares we set are maximums, so unbooked taxis can charge below the maximum fares we set.

We will release our final decision and price determination in September 2020. The price determination will come into effect on 1 October 2020.

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

<sup>2</sup> Essential Services Commission Act 2001, s. 8.

<sup>3</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110C.

<sup>4</sup> Essential Services Commission Act 2001, ss. 8A, 33.

<sup>5</sup> Transport Integration Act 2010, s. 24.

<sup>6</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110F(2).

## **Our draft decision**

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

Overall, we consider that consumers and the unbooked taxi industry will be better off if we keep maximum fares unchanged. Given the current impact of the coronavirus pandemic on the commercial passenger vehicles industry and the uncertainty about its future impact, keeping maximum fares unchanged will provide some level of stability for consumers and unbooked taxi service providers. We have also been mindful not to impose administrative and implementation burdens, such as collecting large amounts of data from industry participants and updating meters and stickers, on unbooked taxi service providers in these challenging times.

### **Approach to setting the level of maximum fares**

In reviewing maximum fares, we considered submissions from stakeholders and the matters we must have regard to under the legislation. In particular, we had regard to ongoing changes in consumer demand for commercial passenger vehicles services, service levels, changes in the cost of providing taxi services and the impact of the coronavirus pandemic on the industry.

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

Information shared with us by some stakeholders on the demand for and supply of taxis and publicly available information on the number of registered commercial passenger vehicles suggest there are more than enough vehicles to meet customer demand. Generally, in a market where there is no shortage in supply, we would not expect prices to go up.

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

Some stakeholders supported keeping maximum fares unchanged while others suggested that maximum fares should increase. Stakeholders who supported increasing the maximum fares stated that there is an oversupply of commercial passenger vehicles leading to decreased income for drivers. We do not set drivers' earnings. Taxi driver earnings are a function of the demand for commercial passenger vehicle services, the supply of commercial passenger vehicles, the fares

charged and how revenue is shared between taxi drivers and operators (currently set at a minimum 55:45 ratio).<sup>7</sup>

Increasing fares to offset driver income losses resulting from oversupply and increased competition in the industry would neither be effective at increasing income nor be consistent with our objectives of promoting the efficient provision and use of unbooked taxi services and the long term interests of consumers. An increase in maximum fares may also send misleading price signals to the market. It could encourage an increased supply of commercial passenger vehicles, thereby spreading available fares over more vehicles.

We estimated that vehicle operating costs for taxis may have fallen by 0.5 per cent over the March 2018 to March 2020 period, while total costs (including an allowance for potential driver earnings) could have increased by 2.1 per cent, using the taxi cost index we developed in 2013. However, given price volatility due to the coronavirus pandemic, there are indications that some costs may have further decreased by the time we finalise our decision in September 2020.<sup>8</sup> Any decrease in costs resulting from the coronavirus pandemic are, however, potentially temporary and if incorporated into the maximum fares may have an adverse effect on the unbooked taxi industry's financial viability. 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 have considered stakeholders' views on the approach to assessing fares**

We have also considered stakeholders' views on the different approaches to assessing the level of maximum fares. We agree that a market outcomes approach and a review of the cost basket 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.

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.

In the circumstances, 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 concerns stakeholders expressed about the taxi cost index. In coming to our draft decision, we have balanced the possible increase in costs suggested by the taxi cost index with a range of other

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<sup>7</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.

<sup>8</sup> We also 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).

considerations as discussed above. We consider that this approach and methodology best meets our legislative objectives.

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

One of the taximeter service providers told us that it is technically possible to develop a software to program their meters for 'time **and** distance' tariffs. However, due to the impacts of the coronavirus pandemic, they do not have the resources to develop the software at this stage. While we consider that metering technology may no longer be a barrier to implementing 'time **and** distance' tariffs, and that they have certain benefits over 'time **or** distance' tariffs, in the context of the current pandemic and possible resource constraints within the taxi industry, we consider that it is appropriate for the use of 'time **and** distance' tariffs to remain optional for now.

### **Provide feedback on our draft decision**

We are interested in hearing your views on our draft decision. Submissions should be made by **5pm, 31 July 2020**.

To make a submission on this paper please go to Engage Victoria's website:  
[www.engage.vic.gov.au](http://www.engage.vic.gov.au) .

If this presents an issue please email us at [transport@esc.vic.gov.au](mailto:transport@esc.vic.gov.au) to discuss other options for making a submission.

All submissions come under the commission's submissions policy. Submissions will be made available on the commission's website, except for any information that is commercially sensitive or confidential. Submissions should clearly identify which information is sensitive or confidential.

## 2. Consideration of industry developments

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

- the demand for and supply of taxis
- changes in service levels
- impact of the coronavirus pandemic on the industry
- 'time **and** distance' tariffs.

This chapter discusses our findings and consideration on these developments. We also had regard to the costs associated with safety obligations, which are discussed in Chapter 3.

### Changes in demand and supply

We can use information on the supply and demand of taxis to see if maximum fares need to change. Combining information on the trips made in taxis and taxi shifts allow us to observe whether taxis are spending more time on the road without a passenger. In other words, whether there is unused capacity either at all times or at certain times.<sup>9</sup>

Generally, in a market where there is unused capacity, we would expect 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 increase their revenues without incurring additional fixed costs.

For this review, we will not collect detailed taxi trip and shift data, in the way we did during our 2018 taxi fare review. We do not want to increase the regulatory burden on industry participants during the coronavirus pandemic. However, information shared with us by some stakeholders on the demand for and supply of taxis and publicly available information on the number of registered commercial passenger vehicles suggest there are more than enough supply to meet customer demand. Generally, in a market where there is no shortage in supply, we would not expect prices to go up.

The number of registered rideshare vehicles has increased significantly from 37,104 in June 2018 to 70,905 in January 2020, a 91.0 per cent increase.<sup>10</sup> The number of registered taxis in Victoria

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<sup>9</sup> Noting that there will be a significant share of a taxi shift where they will not have a passenger because they are waiting for a passenger or are driving to collect a passenger.

<sup>10</sup> Commercial Passenger Vehicles Victoria, email to the commission dated 4 June 2020.

increased from 9,615 in June 2018 to 10,013 in January 2020, a 4.1 per cent increase<sup>11</sup> but it has slightly decreased over the past year.<sup>12</sup>

We do not have data on the change in demand for taxis since the 2018 fare review, but stakeholders' submissions suggest that there was a moderate increase in demand for taxis prior to the coronavirus pandemic. Transport Alliance Australia (TAA) reported that:

The market is well over-supplied. While there has been a moderate increase in overall trip numbers across the industry there has been disproportional growth in the number of CPV. This has served only to dilute driver earnings. TAA members have reported a decrease from pre-reform revenue of around 30-50 per cent across both taxis and traditional hire cars.<sup>13</sup>

The Victorian Taxi Association raised similar concerns about commercial passenger vehicle oversupply and declining taxi revenues as a result of increased competition from booked service providers.<sup>14</sup> One stakeholder we met also reported that booked trips had grown slightly and the fleet size had increased but jobs per driver had decreased despite the increase in consumer demand.<sup>15</sup>

Increasing maximum fares is likely to turn more taxi passengers away from unbooked taxi services. Increasing fares to offset losses in revenue resulting from increased supply of services is not consistent with promoting the efficient use and provision of unbooked taxi services. It is likely to lead to a further decline in demand and, potentially, lower revenue for taxi service providers in the current competitive environment.

## **Impact of the coronavirus pandemic**

Many stakeholders reported that the coronavirus pandemic has significantly affected the commercial passenger vehicle industry.<sup>16</sup> Stakeholders reported that trips have declined by

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<sup>11</sup> Commercial Passenger Vehicles Victoria, email to the commission dated 4 June 2020.

<sup>12</sup> The number of registered taxis decreased from 10,867 in January 2019 to 10,013 in January 2020, a 7.8 per cent decrease.

<sup>13</sup> Transport Alliance Australia, submission to consultation paper, 5 May 2020, p.3.

<sup>14</sup> Victorian Taxi Association, submission to consultation paper, 8 May 2020, pp. 1 and 3.

<sup>15</sup> ESC meetings with various stakeholders, April-May 2020.

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

## 2. Consideration of industry developments

between 65 per cent<sup>17</sup> to 95 per cent.<sup>18</sup> A2B estimated that fares processed in late March to early April 2020 have decreased by more than 80 per cent compared to the same period last year.<sup>19</sup> In order to reduce costs, A2B has stood down 350 non-driving staff and has closed some of its local branches in Sydney and Melbourne.<sup>20</sup> One stakeholder we met with also reported that it has stood down 80 per cent of its non-driving staff.<sup>21</sup>

To help drivers and taxi operators, A2B has initiated a range of assistance offers which include a 60 per cent discount on monthly network fees and deferral of interest and principal repayments on vehicle leases and business loans. It has also launched several business initiatives that will help increase taxi utilisation, such as the new home delivery system called 13things.<sup>22</sup>

We are aware of the challenges the commercial passenger vehicle industry is experiencing as a result of the coronavirus pandemic and we have considered the current situation in making our draft decision. By keeping maximum fares unchanged we are providing the industry some level of stability over the next two years. We are also reducing any administrative and implementation burdens on taxi operators and booking service providers from updating meters and stickers.

## **Service levels have improved suggesting current maximum fares may be sufficient**

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.

Available information on service levels suggests that the quality of taxi services in the metropolitan zone has generally improved. This can be seen through improved customer satisfaction (Figure 2.1)<sup>23</sup> and fewer complaints (Figure 2.2). Improved quality of taxi services from 2014 to 2018

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<sup>17</sup> ESC meetings with various stakeholders, April-May 2020.

<sup>18</sup> Transport Alliance Australia, submission to consultation paper, 5 May 2020, p.2. Transport Alliance Australia reported a 90 to 95 per cent reduction in trips in the booked and unbooked markets.

<sup>19</sup> A2B, ASX public release, 30 April 2020, p.2.

<sup>20</sup> A2B, ASX public release, 30 April 2020, p.2.

<sup>21</sup> ESC meetings with various stakeholders, April-May 2020.

<sup>22</sup> A2B, ASX public release, 30 April 2020, pp.2-3.

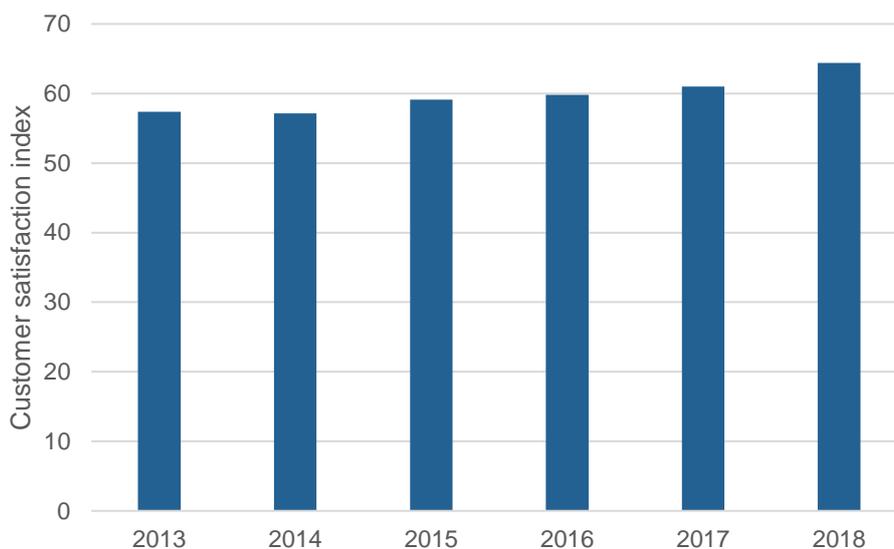
<sup>23</sup> According to Commercial Passenger Vehicles Victoria, customer satisfaction is most influenced by driver behaviour, safety and comfort, ease and reliability of booking and the price of trips. Source: Commercial Passenger Vehicles

## 2. Consideration of industry developments

suggests that the current maximum fares provide sufficient incentives to improve or maintain the quality of service provided.

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>**



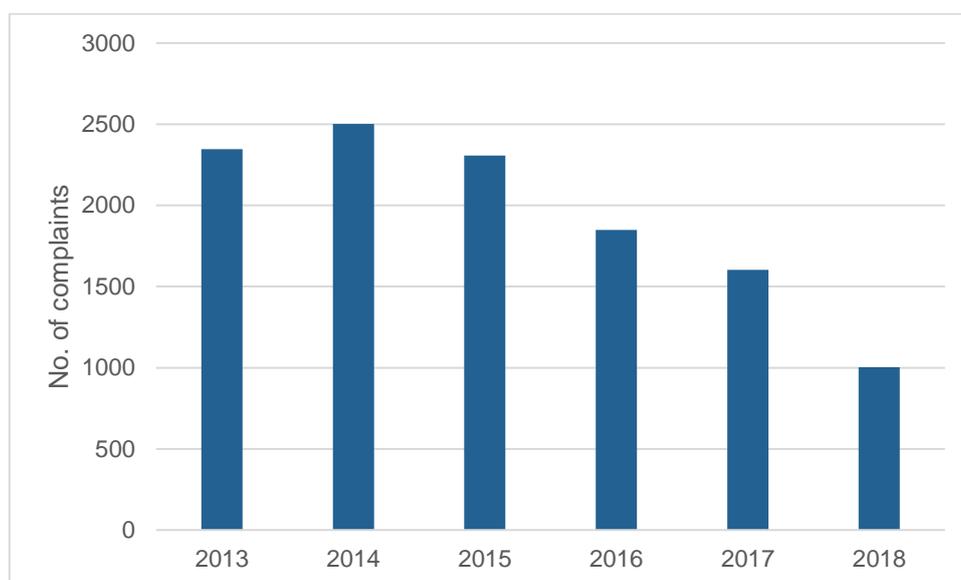
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Victoria, 2018-19 Annual Report, October 2019, p.22. Additional information provided by Commercial Passenger Vehicles Victoria to the commission shows that most of the survey questions focused on the quality aspects of service rather than price. There is only one survey question related to price. Source: Commercial Passenger Vehicles Victoria email to the commission dated 11 June 2020.

<sup>24</sup> From 2018 onwards, Commercial Passenger Vehicles Victoria's survey relates to all commercial passenger vehicles rather than only taxis. Source: Commercial Passenger Vehicles Victoria email to the commission dated 22 May 2020.

## 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>



## We propose to keep 'time and distance' tariffs 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 following benefits over 'time **or** distance' tariffs:

- passengers are better placed to estimate the distance of their trip and the time it will take, than trying to estimate the speed they will be travelling at all times during the trip (as required under 'time **or** distance' tariffs)
- easier to compare fares between service offerings
- fares are more predictable.<sup>26</sup>

Stakeholder views were mixed on whether 'time **and** distance' tariffs should be optional.

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<sup>25</sup> Number of complaints starting from 2018 relates to all commercial passenger vehicles, rather than only taxis. Starting mid-2018, complaints can 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> 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 actually 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.

Some stakeholders supported mandating ‘time **and** distance’ tariffs stating that it gives consumers certainty in comparing offers and predicting the costs of their trips<sup>27</sup> and that most meters currently in use can be programmed for ‘time **and** distance’ tariffs.<sup>28</sup>

Some stakeholders preferred the optional offering of ‘time **and** distance’ tariffs:

- 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<sup>29</sup>
- taxi service providers understand their market best and should have the right to choose the option that suits their market.<sup>30</sup>

While we consider that 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, we consider that it is appropriate for ‘time **and** distance’ tariffs to remain optional for now.

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<sup>27</sup> Ola Australia, submission to consultation paper, 7 May 2020, p.8.

<sup>28</sup> Transport Alliance Australia, submission to consultation paper, 5 May 2020, p.6.

<sup>29</sup> Schmidt Electronic Laboratories, submission to consultation paper, 6 May 2020, p.1.

<sup>30</sup> Victorian Taxi Association, submission to consultation paper, 8 May 2020, p.2.

## 2. Consideration of industry developments

### 3. Costs of providing taxi services

In our previous 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 accordingly.

In this draft decision, we have 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 considerations we have balanced in reaching our draft decision to keep maximum fares unchanged.

We note that both the commission and stakeholders have some concerns with the current taxi cost index. We also note the index includes an assumption that the cost of driver labour grows.

#### **Our current cost index suggests costs have increased**

We estimated the overall cost of operating a taxi has declined by 0.5 per cent from March 2018 to March 2020 for taxi operators (Table 3.1). However, the opportunity cost of driving a taxi appears to have increased for those who would otherwise be employed in the transport sector. Hourly rates in the transport, postal and warehousing sectors increased by 4.7 per cent over the same period. If driver labour costs increased at this rate over the last two years, the total cost of providing taxi services would have increased 2.1 per cent for the March 2018 to March 2020 period.<sup>31</sup> The increase in costs has been largely influenced by increases in driver labour costs and motor vehicle repairs and maintenance costs, and to a lesser extent by increases in network labour costs, comprehensive vehicle insurance and administration costs.

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

Cost components	Cost share	Change for cost component	Contribution to overall change in index
Fuel	15.4%	-2.9%	-0.4%
Network (equipment)	2.9%	-8.4%	-0.2%
Network (labour)	2.9%	5.3%	0.2%
Comprehensive insurance	2.7%	9.6%	0.3%
Workers' compensation	0.7%	5.3%	0.0%

<sup>31</sup> We note that how fares are shared with drivers is not within the scope of this review but must not be lower than 55 per cent as per s.97 of the Commercial Passenger Vehicle Industry Act 2017.

Cost components	Cost share	Change for cost component	Contribution to overall change in index
Vehicle	5.2%	-1.0%	-0.1%
Registration/TAC	1.8%	-65.6%	-1.2%
Repairs and maintenance	8.0%	8.3%	0.7%
Administration	5.4%	5.2%	0.3%
Taxi operating costs	45.0%	-1.1%	-0.5%
Driver labour	55.0%	4.7%	2.6%
<b>Total*</b>	<b>100.0%</b>	<b>NA</b>	<b>2.1%</b>

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

Estimating the change in costs for wheelchair accessible taxis using our current taxi cost index gave similar results to the change in costs for conventional taxis. We estimate the overall cost of providing wheelchair accessible taxis has increased by 2.1 per cent from March 2018 to March 2020. The increase in costs has been largely driven by increases in driver labour costs, motor vehicle repairs and maintenance costs, and to a lesser extent by increases in network labour costs, comprehensive vehicle insurance and administration costs.

For our final decision, we will update the index to reflect data covering the June 2018 to June 2020 period.

### Some stakeholders suggest fares should increase

Four stakeholders suggested that fares should increase to improve drivers' earnings and to attract and retain good drivers.<sup>32</sup> 13cabs suggested that fares should increase by 11.04 per cent (an increase of 1.76 per cent per year since 2014).<sup>33</sup> The Victorian Taxi Association called for a 20 per cent increase (starting with the urban zones).<sup>34</sup> Transport Alliance Australia considered maximum fares should increase by the average CPI for the period since the last fare review to December 2019.<sup>35</sup>

As we have discussed in previous chapters, we do not set drivers' earnings. Increasing fares to offset driver income losses resulting from oversupply and increased competition in the industry

<sup>32</sup> 13cabs, submission to consultation paper, 29 May 2020, p.2; Transport Alliance Australia, submission to consultation paper, 6 May 2020, p.2; Victorian Drivers Alliance Inc., submission to consultation paper, 22 May 2020.

<sup>33</sup> 13cabs, submission to consultation paper, 29 May 2020, p.2.

<sup>34</sup> Victorian Taxi Association, submission to consultation paper, 8 May 2020, p.4.

<sup>35</sup> Transport Alliance Australia, submission to consultation paper, 6 May 2020, p.2.

### 3. Costs of providing taxi services

would neither be effective at increasing income nor be consistent with our objectives of promoting the efficient provision and use of unbooked taxi services and the long term interests of Victorian consumers.

We also note that we looked at the change in costs since our last fare review in 2018, not since 2014. Results of our 2016 and 2018 fare reviews have shown that the costs of providing taxi services decreased by 8.0 and 4.0 per cent, respectively. We kept fares unchanged during the last two reviews given observed market conditions.<sup>36</sup>

## **Taxi cost indexes may not be accurate in the current situation**

Both stakeholders and the commission have some concerns about using the current taxi cost index for this review.

### **Prices and costs are volatile**

The coronavirus pandemic is causing the prices that form part of our cost index to be more volatile than normal. We expect that there could be large changes in the price indexes used in our current taxi cost index between the release of our draft and final decisions. This could result in different cost changes as shown by the taxi cost index depending on whether we look at the March 2018 to March 2020 period (for the draft decision) or June 2018 to June 2020 period (for the final decision).

The volatility of fuel costs can already be seen when considering the period from December 2017 to December 2019, where there was a 15.0 per cent decrease in fuel costs, while from March 2018 to March 2020, there was only a 2.9 per cent decrease in fuel costs. For the December 2017 to December 2019 period, we estimate the overall cost of operating a taxi has increased by 0.4 per cent.<sup>37</sup>

When looking at expectations for cost changes for taxi service providers between now and September 2020, some costs are likely to decrease. Inflation rates are expected to decrease and wage growth is expected to be slower (see more details in Appendix D). The cost change shown by the taxi cost index, including over the coronavirus pandemic period, is not likely to reflect what will happen to taxi costs during the period between September 2020 and our next taxi fare review.

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<sup>36</sup> In 2018, we kept fares unchanged in view of all the changes underway in the industry and noted taxis can already lower their fares as a way of trying to attract more passengers. Source: Essential Services Commission, Unbooked Commercial Passenger Vehicle Fare Review 2018: Final Decision, September 2018, p.2. In 2016, we kept fares unchanged. 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 providers to compete through lower fares, improved service offerings, or a combination of both. Essential Services Commission, Taxi Fare Review: Final report, June 2016, p.7.

<sup>37</sup> Essential Services Commission, Unbooked taxi fare review 2020: Consultation paper, April 2020, pp. 8-9.

### 3. Costs of providing taxi services

## The taxi cost index is not reflective of current costs

As discussed in Chapter 4, stakeholders in their response to our consultation paper have 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 we met mentioned that in urban and large regional zones in Victoria, the majority of taxis are hybrid vehicles.<sup>38</sup> This may have changed taxi operators' costs, but we do not know by how much. But we also assume that choosing to use another technology means said technology is likely to have some cost advantages so the current cost index may overstate cost increases. Interestingly, another stakeholder we met shared that costs of providing taxi services have decreased.<sup>39</sup>

## We do not believe that reviewing the taxi cost index is warranted

We agree with stakeholders' concerns about the current taxi cost index and that this is not an appropriate time to review the cost basket. As Cabfare pointed out, the industry needs to devote resources to address business survival rather than regulatory reviews at the present time.<sup>40</sup> We do not want to impose any additional administrative burden on taxi operators given the challenges they are already facing due to the coronavirus pandemic.

## There is no additional information on costs associated with safety obligations

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 operating a taxi. We sought stakeholder views on these other costs.

### Multi-Purpose Taxi Program

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

- Commercial Passenger Vehicles Victoria introducing more transport options for MPTP passengers (including rideshare).<sup>41</sup>

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<sup>38</sup> ESC meetings with various stakeholders, April-May 2020.

<sup>39</sup> ESC meetings with various stakeholders, April-May 2020. The stakeholder noted that taxi operating costs are significantly lower due to the absence of licence fees, lower registration fees, lower rental costs and lower regulatory costs. Furthermore, additional networks have created competition leading to lower network fees.

<sup>40</sup> Cabfare, submission to consultation paper, 6 April 2020.

<sup>41</sup> Commercial Passenger Vehicles Victoria, 'MPTP Expansion Program trial with Uber in Greater Geelong', accessed 20 March 2020, <https://cpv.vic.gov.au/about-us/news/taxis/mptp-expansion-program-trial-with-uber-underway-in-greater-geelong>.

### 3. Costs of providing taxi services

- The National Disability Insurance Scheme (NDIS) changing the way some MPTP users' trips are funded.<sup>42</sup> We note that not all MPTP members will be moving to NDIS.

We do not think there will be additional costs associated with providing taxi services to members under the MPTP given there are no changes in terms of the requirements to providing services to MPTP members.

Also, we do not think there will be further costs related to providing taxi services to MPTP members who have become NDIS participants. 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, rideshares, community transport, and other transport methods.<sup>43</sup> This would not require any administrative costs for taxi service providers; they will get paid the full amount of the fares at the end of the trip just as they would for processing fares for other taxi passengers. For these reasons, we have not made any changes to maximum fares to reflect changes to the MPTP program.

However, with more transport options available to MPTP members and NDIS participants, demand for booked taxis will likely be affected. We note that the NDIS is encouraging participants to use the least expensive method of transport that meets their needs.<sup>44</sup>

### **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>45</sup> This includes every taxi, hire car, and rideshare trip provided in Victoria. The party liable for paying the levy depends on how the service is provided (booked or unbooked) and whether the service is facilitated by an affiliated service.<sup>46</sup> The responsible party must lodge a quarterly return and pay the levy to the State Revenue Office for Victoria.

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<sup>42</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>.

<sup>43</sup> National Disability Insurance Scheme, 'Transport funding', accessed 2 June 2020, <https://www.ndis.gov.au/participants/creating-your-plan/plan-budget-and-rules/transport-funding>.

<sup>44</sup> National Disability Insurance Scheme, Price Guides and Pricing, 30 April 2020, p. 33.

<sup>45</sup> Section 235 of the Commercial Passenger Vehicle Industry Act 2017 states '[t]his 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 of a single fare of (a) a booked commercial passenger vehicle service; or (b) an unbooked commercial passenger vehicle service'.

<sup>46</sup> Commercial Passenger Vehicle Industry Act 2017, s. 236.

### 3. Costs of providing taxi services

Our current price determination for maximum fares includes the commercial passenger vehicle levy recovery component.<sup>47</sup> Service providers have the option to absorb the cost of the levy or pass 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, we consider that the cost of lodging a quarterly return and paying the levy is unlikely to be material.<sup>48</sup> 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.<sup>49</sup> Lodging returns are also done online. For operators that are affiliated with a network, we note that some networks lodge a quarterly return and pay the levy on behalf of these operators. Therefore, these operators do not incur any additional costs related to administering the commercial passenger vehicle service levy.

We also note that stakeholders provided us with no additional information on the impact of administering the commercial passenger vehicle service levy on the cost of operating a taxi. For these reasons, we have not made any changes to maximum fares to reflect the cost of administering the levy.

### **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>50</sup> These safety principles and duties include requirements for:

- Industry participants<sup>51</sup> to notify Commercial Passenger Vehicles Victoria of any notifiable incident<sup>52</sup> that occurs in relation to the provision of a commercial passenger vehicle service.<sup>53</sup>

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<sup>47</sup> Essential Services Commission, Determination of maximum fares for unbooked commercial passenger vehicles (from 1 October 2018), September 2018, pp.1 and 8.

<sup>48</sup> Independent operators are taxi service providers who are affiliated with any booking service providers.

<sup>49</sup> 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>.

<sup>50</sup> Commercial Passenger Vehicle Industry Act 2017, Part 2; Commercial Passenger Vehicle Industry Regulations 2018, Part 2.

<sup>51</sup> Industry participants include booking service providers, owners of motor vehicles used to provide CPV services, drivers providing CPV services, persons who have control over the provision of CPV services, suppliers of services or equipment used in the provision of CPV services. See Commercial Passenger Vehicle Industry Act 2017, ss. 23-27.

<sup>52</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>53</sup> Commercial Passenger Vehicle Industry Act 2017, s. 272; Commercial Passenger Vehicle Industry Regulations 2018, r. 7.

### 3. Costs of providing taxi services

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>54</sup> Based on the 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>55</sup>

As this is the responsibility of the booking service provider, 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 operating a taxi. For this reason, we have not made any changes to maximum fares to reflect changes to safety obligations.

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<sup>54</sup> Commercial Passenger Vehicles Victoria, Notifiable Incidents, accessed on 1 June 2020, <https://cpv.vic.gov.au/drivers/accredited-driver-responsibilities/notifiable-incidents>.

<sup>55</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 5.

## 4. Stakeholders' views were mixed on how we should assess maximum fares

In our consultation paper, we sought feedback on our approach to reviewing and setting maximum fares.

We received a total of 15 submissions from consumers, taxi operators, booking service providers, commercial passenger vehicle associations, a meter provider and a rideshare service provider. We also held meetings with stakeholders. This chapter summarises the key issues raised by stakeholders and our response.

Appendix E contains a list of the stakeholders who have provided us with written submissions while Appendix F provides a summary of the different approaches to setting maximum fares.

### 'Fares should remain unchanged/increase'

One stakeholder suggested that maximum fares should remain unchanged but did not provide any reasons.<sup>56</sup> Ola Australia considered that keeping maximum fares unchanged on account of the impact of the coronavirus is the simplest and easiest way forward.<sup>57</sup> Cabfare suggested that we delay the taxi fare review:

In light of the State Emergency that has been declared it seems appropriate that [...] the commencement of the review of Unbooked Taxi Fares is delayed until 1 March 2021. The data set that will be obtained from the industry until then will be flawed. Further the Industry is needing to devote its management resources to addressing business survival and not regulatory reviews.<sup>58</sup>

In contrast, the Victorian Taxi Association did not support keeping the maximum fares unchanged because it is not 'acceptable or fair' for drivers and restricts the ability of operators to compete for drivers.<sup>59</sup> 13cabs also raised a similar concern.<sup>60</sup> It suggested that maximum fares should increase and advocated for higher driver earnings:

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<sup>56</sup> Jone Jones, submission to consultation paper, 3 April 2020.

<sup>57</sup> Ola Australia, submission to consultation paper, 7 May 2020, p.4-5.

<sup>58</sup> Cabfare, submission to consultation paper, 6 April 2020, p.2.

<sup>59</sup> Victorian Taxi Association, submission to consultation paper, 8 May 2020, p.2.

<sup>60</sup> 13cabs, submission to consultation paper, 29 May 2020, p.1.

The maximum fare for a Taxi trip must allow for Taxi Drivers to earn an income that is fair and comparable to what other Australians are able to earn.<sup>61</sup>

Under the Commercial Passenger Vehicle Industry Act 2017, the commission must complete a review of a price determination no later than two years after it is made. For this reason, we cannot delay this fare review.

We do not set drivers' earnings. We determine the total maximum fares which are then shared between drivers and operators. Taxi driver earnings are a function of the demand for and supply of drivers, which in turn is determined by the demand for commercial passenger vehicle services, the supply of commercial passenger vehicles, the fares charged and how revenue is shared between drivers and operators (currently set at a minimum 55:45 ratio).<sup>62</sup>

We note that taxi service providers can set fares for booked services if they consider it is in their interests to do so. That is, fares for booked taxi services are not regulated.

### **'A CPI-based approach should be used to set maximum fares'**

Some stakeholders preferred an approach based on the CPI to setting maximum fares. Transport Alliance Australia noted that this approach:

- is less data intensive and burdensome
- is more easily understood by industry participants
- aligns with CPI fare adjustments for public transport services
- roughly corresponds with the taxi cost index
- provides a timely and much needed increase in maximum fares given no increase since 2014
- could encourage taxi operators to continue to provide service and for drivers who have left the industry to return.<sup>63</sup>

Ola Australia preferred the CPI-based approach given the 'low complexity and administration burdens for the commission'.<sup>64</sup> 13cabs and an individual also supported the use of CPI for adjusting fares.<sup>65</sup>

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<sup>61</sup> 13cabs, submission to consultation paper, 29 May 2020, p.1.

<sup>62</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.

<sup>63</sup> Transport Alliance Australia, submission to consultation paper, 5 May 2020, p.3.

<sup>64</sup> Ola Australia, submission to consultation paper, 7 May 2020, p.7.

<sup>65</sup> Anonymous, submission to consultation paper, 23 April 2020, p.1; 13cabs, submission to consultation paper, 29 May 2020, p.3.

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.<sup>66</sup>

## **'Market outcomes or the taxi cost index should not be used to set maximum fares'**

13cabs, the Victorian Taxi Association and Ola Australia provided some feedback about the market outcomes approach, updating the taxi cost index and reviewing the cost basket to set maximum fares.

- **Market outcomes** – 13cabs considered that the market has not 'sufficiently settled' for a market outcomes approach to be used in setting fares.<sup>67</sup> The Victorian Taxi Association considered that the market outcomes approach is ineffective given the current uncertainty around the impact of the coronavirus and oversupply of commercial passenger vehicles since 2017.<sup>68</sup> Ola Australia stated it is complex and will have associated administrative costs on the industry.<sup>69</sup>
- **Current taxi cost index** – 13cabs considered that the index does not take into account the labour intensive nature of providing taxi services.<sup>70</sup> Ola Australia stated that if it is not updated for current costs, then it could lead to fares which do not reflect the costs of providing the service.<sup>71</sup>
- **Review of the cost basket** – updating the cost basket for current costs may be misleading given the impacts of the coronavirus pandemic on the industry. It would impose financial and administrative burdens on the commission and industry participants.<sup>72</sup>

The market outcomes approach, followed by the review of the cost basket, requires the most input from taxi operators and booking service providers. We recognise that compiling the required data will be particularly challenging for stakeholders given the current coronavirus pandemic and could place a costly administrative burden on them. We do not consider either approach to be appropriate at this time.

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<sup>66</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>67</sup> 13cabs, submission to consultation paper, 29 May 2020, p.3.

<sup>68</sup> Victorian Taxi Association, submission to consultation paper, 8 May 2020, p.1.

<sup>69</sup> Ola Australia, submission to consultation paper, 7 May 2020, p.5.

<sup>70</sup> 13cabs, submission to consultation paper, 29 May 2020, p.3.

<sup>71</sup> Ola Australia, submission to consultation paper, 7 May 2020, p.5.

<sup>72</sup> Ola Australia, submission to consultation paper, 7 May 2020, p.6.

#### 4. Stakeholders' views are mixed on how we should assess maximum fares

There are two key issues associated with using the existing taxi cost index as the main basis of our decision:

- first, setting maximum fares for the next two years based on likely temporarily volatile costs
- second, not fully accounting for technological or other changes to costs that may have occurred since we last reviewed costs.

For this draft decision, we used the current taxi cost index to get an approximate indication of how the costs of providing taxi services have changed. We also note that the current taxi cost index includes a driver labour component.

## **Other suggested approaches**

13cabs is concerned that drivers' earnings have remained unchanged and suggested the most appropriate approaches, in addition to CPI indexation, are:

- adjusting maximum fares by the annual weekly earnings across the Australian economy
- adjusting maximum fares based on the increases in fares for other Victorian public transport.<sup>73</sup>

We do not consider these indexes are appropriate measures by which to adjust unbooked taxi fares in Victoria. The annual weekly earnings of Victorians do not accurately reflect the costs of providing taxi services. While public transport fares increase annually, we note that they are subsidised by the Victorian Government and recover only a small proportion of total costs.

### **'Unbooked fares should not be regulated'**

Transport Alliance Australia, Victorian Taxi Association and Ola Australia recommended the deregulation of unbooked taxi fares.<sup>74</sup> However Ola Australia considered that fares for wheelchair accessible taxis should continue to be regulated and should be indexed using CPI.<sup>75</sup>

The commission has no legislative or regulatory power to deregulate or change the way unbooked taxi fares are regulated. That is a policy matter for the government to consider.

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<sup>73</sup> 13cabs, submission to consultation paper, 29 May 2020, p.3.

<sup>74</sup> Transport Alliance Australia, submission to consultation paper, 5 May, pp. 4-5; Victorian Taxi Association, submission to consultation paper, 8 May 2020, p.3; Ola Australia, submission to consultation paper, 7 May 2020, p.7.

<sup>75</sup> Ola Australia, submission to consultation paper, 7 May 2020, p.7.

# Appendix A – Current maximum fares

## Metropolitan zone and East Urban area

Table A.1: Current maximum fares for the metro zone and east urban area - ‘time or distance’ tariffs<sup>76</sup>

	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
Waiting time (\$/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 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			\$1.10
CityLink and EastLink tolls <sup>(d)</sup>			Pass-through
Cleaning fee	Up to a maximum of \$120		

(a) For taxis carrying 5 to 11 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.

<sup>76</sup> Essential Services Commission, Unbooked Commercial Passenger Vehicle Fare Review 2018: Final decision, September 2018, p. 26.

**Table A.2: Current maximum fares for the metro zone and east urban area - ‘time and distance’ tariffs<sup>77</sup>**

	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 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			\$1.10
CityLink and EastLink tolls <sup>(d)</sup>			Pass-through
Cleaning fee	Up to a maximum of \$120		

(a) For taxis carrying 5 to 11 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.

<sup>77</sup> Essential Services Commission, Unbooked Commercial Passenger Vehicle Fare Review 2018: Final decision, September 2018, p. 28.

## Western Urban area

**Table A.3: Current maximum fares for Geelong, Ballarat and Bendigo - 'time or distance' tariffs<sup>78</sup>**

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
Waiting time (\$/min) (applies when speed is below 21 km/hr)		0.643
<b>High occupancy trips</b>		
For trips with 5-11: not applicable for wheelchair passenger trips		
Flagfall (\$)		3.60
Distance rate (\$/km) (applies when speed is above 21 km/hr)		2.757
Waiting time (\$/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		\$1.10
CityLink and EastLink tolls <sup>(c)</sup>		Pass-through
Airport 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.

<sup>78</sup> Essential Services Commission, Unbooked Commercial Passenger Vehicle Fare Review 2018: Final decision, September 2018, p. 27.

**Table A.4: Current maximum fares for Geelong, Ballarat and Bendigo - ‘time and distance’ tariffs<sup>79</sup>**

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 5-11 passengers: not applicable for wheelchair passenger trips		
Flagfall (\$)		3.60
Distance rate (\$/km) (at all times)		2.441
Waiting time (\$/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		\$1.10
CityLink and EastLink tolls <sup>(c)</sup>		Pass-through
Airport 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.

<sup>79</sup> Essential Services Commission, Unbooked Commercial Passenger Vehicle Fare Review 2018: Final decision, September 2018, p. 29.

# 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>80</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>81</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.

The Commercial Passenger Vehicle Industry Act 2017 and the Essential Services Commission Act 2001 govern our role of setting maximum fares for unbooked taxi services. 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>82</sup>

In this draft decision 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>80</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>81</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110A.

<sup>82</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 CPV, among other matters.<sup>83</sup> Our role determining 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>84</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.<sup>85</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>86</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>87</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, safety and health and wellbeing.<sup>88</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>89</sup>
- the principle of triple bottom line assessment<sup>90</sup>

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<sup>83</sup> Commercial Passenger Vehicle Industry Act 2017, s. 1.

<sup>84</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110C.

<sup>85</sup> Essential Services Commission Act 2001, s. 8.

<sup>86</sup> Essential Services Commission Act 2001, ss. 8A, 33(3).

<sup>87</sup> Essential Services Commission Act 2001, s. 33(4).

<sup>88</sup> Transport Integration Act 2010, ss. 7-13.

<sup>89</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.

<sup>90</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.

- the principle of equity<sup>91</sup>
- the principle of transport system user perspective<sup>92</sup>
- the precautionary principle<sup>93</sup>
- the principle of stakeholder engagement and community participation<sup>94</sup>
- the principle of transparency.<sup>95</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>96</sup>

## **We set 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.

To provide unbooked CPV services a vehicle must meet certain requirements. Taxis are CPVs that meet these requirements.<sup>97</sup> We determine maximum fares for unbooked CPV services only.

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<sup>91</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>92</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>93</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>94</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>95</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>96</sup> Transport Integration Act 2010, ss. 26-27.

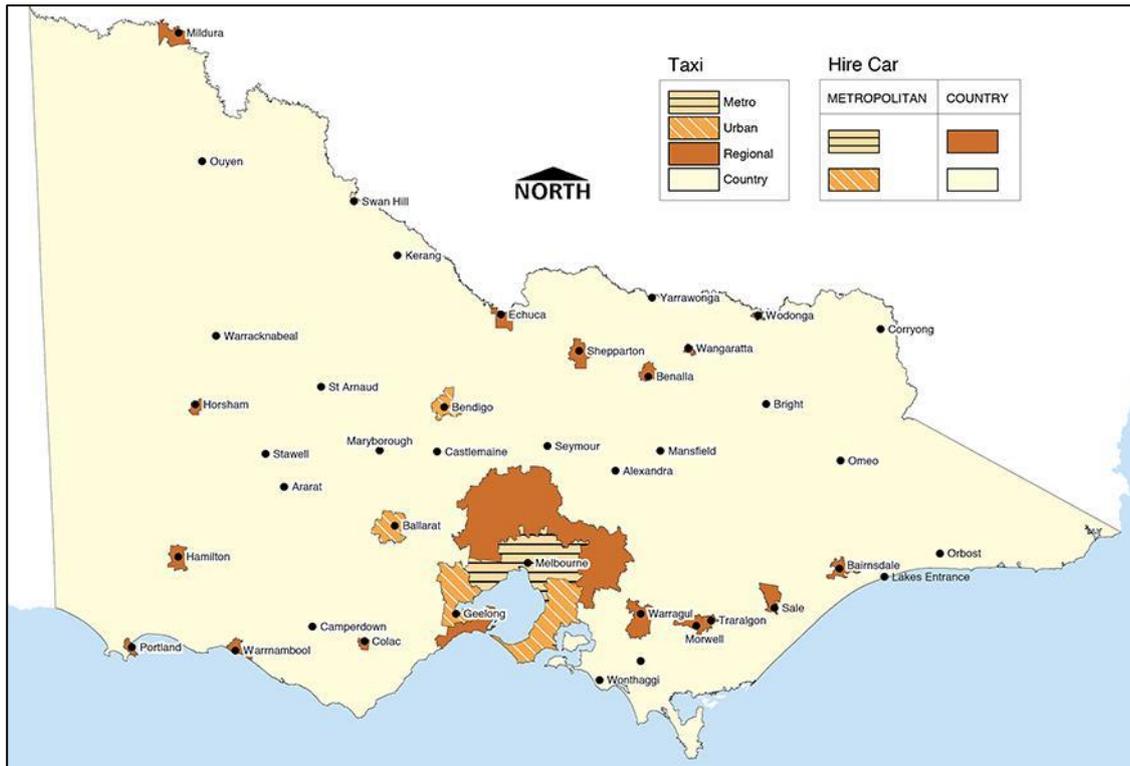
<sup>97</sup> Commercial Passenger Vehicle Industry Regulations 2018. Commercial Passenger Vehicles Victoria, A new industry, a new approach to regulation, accessed on 23 May 2020, <http://taxi.vic.gov.au/about-us/a-new-industry.-a-new-approach-to-regulation>.

## The 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>98</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 fares. Figure B.1 shows these taxi zones.

**Figure B.1** Historical taxi zones of Victoria<sup>99</sup>



<sup>98</sup> Essential Services Commission Act 2001, s. 32; Commercial Passenger Vehicle Industry Act 2017, ss. 110A, 110D.

<sup>99</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

## **Our approach for this fare review**

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

### **We considered other developments in the CPV industry**

We used available information on the demand and supply of CPV 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 estimated the change in the costs of providing taxi services**

We also reviewed taxi operators' costs to inform us about 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 for two periods: December 2017-December 2019 (pre-pandemic) and March 2018-March 2020 (the most recent two years for which cost inflator data is currently available). We also considered the costs to taxi service providers of the new safety obligations and the costs of making changes to maximum fares (changes to their signage and meter re-programming).

### **We considered stakeholders' views on the assessment approach and the impact of the coronavirus pandemic**

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

### **Factors we considered on whether changes to 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>100</sup>
2. provide some level of stability during the coronavirus pandemic and over the next two years<sup>101</sup>
3. give a reasonable opportunity for unbooked taxi service providers to recover the costs that a well-run business would incur to run its service<sup>102</sup>
4. not make it difficult for unbooked taxi service providers to compete with each other or with booked service providers<sup>103</sup>
5. give incentives to unbooked taxi service providers to provide the service outcomes consumers want<sup>104</sup>
6. not impose unnecessary administrative and implementation burden on unbooked taxi service providers during these difficult times<sup>105</sup>
7. result in a fare structure that passengers can easily understand.<sup>106</sup>

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

### **Our objectives**

In regulating maximum fares our objectives are to:

- promote the efficient provision and use of unbooked taxi services<sup>107</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>108</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.

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<sup>100</sup> For example, the expected costs of increasing maximum fares (primarily due to reduced efficiency in the CPV market) would outweigh any expected benefits of keeping maximum fares unchanged, see discussion in Chapter 1.

<sup>101</sup> For example, see our consideration of price volatility resulting from the coronavirus pandemic in our draft decision, see Chapters 1 and 3.

<sup>102</sup> For example, see our analysis of the costs service providers must recover to be financially viable in Chapter 3.

<sup>103</sup> For example, see the discussion under 'our decision' in Chapter 1. Increasing fares will likely turn away taxi customers, further decreasing taxi service providers' revenue.

<sup>104</sup> For example, see our analysis of service quality in Chapter 2.

<sup>105</sup> For example, see discussions in Chapters 1, 2 and 4.

<sup>106</sup> For example, we have proposed to continue to give taxi service providers the choice of offering 'time **and** distance' tariffs: see Chapters 1 and 2.

<sup>107</sup> Commercial Passenger Vehicle Industry Act 2017, s. 110C.

<sup>108</sup> Essential Services Commission Act 2001 s. 8.

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 taxi operators 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 legislated obligations. While the taxi cost index indicates that the costs of providing taxi services have increased for the period March 2018 to March 2020, looking at expectations of cost changes for taxi operators between now and September 2020, costs are likely to decrease. Given the relatively small changes in costs and their observed volatility, and taking into account a range of other matters discussed above, we consider it is best to keep the maximum fares unchanged for the time being.

We consider that this approach best meets our legislative objectives.

### **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>109</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>110</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. In addition, we looked at regulation of taxi fares on a national basis and we observed that most Australian jurisdictions use a taxi cost index to set fares.<sup>111</sup>

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<sup>109</sup> Essential Services Commission Act 2001 ss. 8A, 33(3).

<sup>110</sup> Essential Services Commission Act 2001 s. 33(4).

<sup>111</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 based on a taxi cost index too. 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>.

## 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>112</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 to give to each transport system objective and decision making principle.<sup>113</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.

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>114</sup> – for example, the commission should consider a fare structure that incentivises the use of electric vehicles
- integration of transport and land use<sup>115</sup> – for example, the commission should consider a fare structure that promotes multiple occupancy of all unbooked taxis above one passenger.<sup>116</sup>

In reaching our draft 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.

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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 24 June 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>112</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>113</sup> Transport Integration Act 2010, ss. 26-27.

<sup>114</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>115</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>116</sup> Jackie Fristacky, submission to consultation paper, 2 April 2020, p.1.

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>117</sup> This may suggest the current 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 environment sustainability, we will account for the efficient costs associated with those actions in setting the maximum fares.

In relation to a 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>118</sup> did not include a provision regulating multiple hiring.

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 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>119</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 draft decision. Our approach to setting maximum fares is consistent with the decision making principles particularly: the principle of transparency, the principle of stakeholder

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<sup>117</sup> ESC meetings with various stakeholders, April-May 2020.

<sup>118</sup> Transport (Buses, Taxi-Cabs and Other Commercial Passenger Vehicles) (Taxi-Cab Industry Accreditation and Other Matters) Regulations 2017.

<sup>119</sup> Essential Services Commission, Taxi fare review 2013-14: Final report, March 2014, pp.100-101.

engagement and community participation, the principle of integrated decision making, the principle of equity and the principle of the transport user perspective.

## 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 zone.<sup>120</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>121</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>120</sup> Essential Services Commission, Taxi fare review 2013-14: Final report, March 2014.

<sup>121</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>122</sup>	WPI

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

## Our current taxi cost index shows costs for taxis have increased

Using our taxi cost index, we can estimate how costs for conventional taxis have changed between December 2017 and December 2019 (pre-coronavirus pandemic), and between March 2018 and March 2020.

Overall, the cost of providing taxi services increased by:

- 0.4 per cent from December 2017 to December 2019 in nominal terms
- 2.1 per cent from March 2018 to March 2020 in nominal terms.

This has been largely influenced by increases in driver labour costs, motor vehicle repairs and maintenance costs, and to a lesser extent by increases in network labour costs, comprehensive vehicle insurance and administration costs. Table D.2 shows a comparison of the results for these periods.

The estimated change in costs for wheelchair accessible taxis using our current taxi cost index is similar to that of conventional taxis at a 2.1 per cent increase from March 2018 to March 2020. This has been largely influenced by increases in driver labour costs, motor vehicle repairs and maintenance costs, and to a lesser extent by increases in network labour costs, comprehensive vehicle insurance and administration costs.

<sup>122</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**

Cost components	Cost share	Change for cost component		Contribution to overall change in index	
		Dec17-Dec19	Mar18-Mar20	Dec17-Dec19	Mar18-Mar20
Fuel	15.4%	-15.0%	-2.9%	-2.3%	-0.4%
Network (equipment)	2.9%	-8.4%	-8.4%	-0.2%	-0.2%
Network (labour)	2.9%	5.4%	5.3%	0.2%	0.2%
Comprehensive insurance	2.7%	9.9%	9.6%	0.3%	0.3%
Workers' compensation	0.7%	5.4%	5.3%	0.0%	0.0%
Vehicle	5.2%	2.0%	-1.0%	0.1%	-0.1%
Registration/TAC	1.8%	-65.6%	-65.6%	-1.2%	-1.2%
Repairs and maintenance	8.0%	7.4%	8.3%	0.6%	0.7%
Administration	5.4%	5.3%	5.2%	0.3%	0.3%
<b>Taxi operating costs</b>	<b>45.0%</b>	<b>-5.0%</b>	<b>-1.1%</b>	<b>-2.3%</b>	<b>-0.5%</b>
Driver labour	55.0%	4.9%	4.7%	2.7%	2.6%
<b>Total</b>	<b>100.0%</b>	<b>NA</b>	<b>NA</b>	<b>0.4%</b>	<b>2.1%</b>

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

## **The change in taxi costs is likely to decrease between the release of our draft and final decisions**

### **Findings from the taxi cost index over different periods highlight volatility in fuel prices**

We compared the change in taxi costs from December 2017 to December 2019 and from March 2018 to March 2020. The only significant difference between the cost change over these two periods is that from December 2017 to December 2019, LPG fuel costs decreased by 15.0 per cent whereas from March 2018 to March 2020, LPG fuel costs decreased by 2.9 per cent.

LPG fuel prices in Melbourne have decreased from March 2020 to April 2020 to the extent that they are almost back to the same level as in December 2019.<sup>123</sup> This demonstrates that LPG fuel prices are very volatile especially given the current coronavirus pandemic. As shown in Table D.2, the change in costs is sensitive to fluctuations in LPG fuel prices given its relatively higher share of the cost basket.

### **Some taxi costs are likely to decrease**

The change in our taxi cost index is likely to decrease between now and September 2020 when we make our determination. This is likely to include labour, administration, vehicle, vehicle repairs and maintenance, the Transport Accident Commission charge and lending rates. The cost change shown by the taxi cost index, including during the coronavirus pandemic period, is not likely to reflect what will happen to taxi costs during the period between September 2020 and our next taxi fare review.

#### *Labour*

Change in the costs for driver labour, network (labour), workers compensation and the labour component of administration are determined by the Wage Price Index. The Australian Bureau of Statistics notes that ‘the reference period for the March quarter was the pay period on or before 21 February 2020, which was before a global pandemic was declared and before the impact of government restrictions on business activity and the labour market.’<sup>124</sup> The March quarter is the latest release available at the time of writing this draft decision. In the Reserve Bank of Australia’s baseline scenario for a gradual economic recovery,<sup>125</sup> the Reserve Bank of Australia notes that wage growth is expected to be lower over the next year. It expects many businesses and employees will agree to wage freezes, and, to a lesser extent, some cuts to hourly wages.<sup>126</sup>

#### *Administration, vehicle, vehicle repairs and maintenance*

We use various consumer price index (CPI) components to measure the change in the costs of network equipment, vehicle, vehicle repairs and maintenance and administration (building and site costs). The March 2020 quarter of these consumer price indexes covered the period 1 January to

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<sup>123</sup> We cannot use more recent fuel data in our cost index until we have more recent data for all indicators used in the index, including quarterly indicators which will not be reported until after the April 2020 to June 2020 quarter. This data may not be released in time to be used in this draft decision.

<sup>124</sup> Australian Bureau of Statistics 2020, 6345.0 – Wage Price Index, Australia, Mar 2020, accessed 19 May 2020, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6345.0>.

<sup>125</sup> The Reserve Bank of Australia’s baseline scenario is based on a plausible path for health outcomes and government-mandated restrictions, as well as existing economic policy measures. Due to the uncertainty of the situation, the Reserve Bank of Australia has also prepared upside and downside scenarios.

<sup>126</sup> Reserve Bank of Australia 2020, Statement on Monetary Policy: May 2020, May, pp. 87-92.

31 March. The Australian Bureau of Statistics noted ‘the decisions to restrict overseas and domestic travel and social gatherings came into effect in mid-March and therefore have had only a small impact on the CPI for the March quarter.’<sup>127</sup> Australian Bureau of Statistics chief economist Bruce Hockman stated that ‘more evident effects of coronavirus are expected in the June quarter CPI.’<sup>128</sup> The Reserve Bank of Australia expects the coronavirus pandemic and the related restrictions will reduce inflation in the near term.<sup>129</sup> It stated ‘headline CPI is expected to fall by around 2.25 per cent in the June quarter and headline inflation is expected to be negative in year-ended terms for the first time since the early 1960s.’<sup>130</sup> While this relates to inflation in CPI for Australia, it is likely the CPI for Melbourne will follow a similar trend, which is an input in determining administration costs. It is possible that CPI for vehicle and vehicle repairs and maintenance might also decrease.

#### *Registration and the Transport Accident Commission charge*

VicRoads’ website does not indicate whether registration charges will change in 2020-21. Hybrid vehicles currently receive a discount on registration of \$100, which is not included in our cost index since at the time of creating the index most taxi drivers drove LPG vehicles.

The Transport Accident Commission charge is automatically indexed by the CPI on 1 July each year.<sup>131</sup> As discussed above, the CPI is expected to fall in the June quarter.

#### *Lending rates*

Lending rates are an input into calculating vehicle costs for taxi operators. Small business lending rates have already fallen from 5.53 per cent per annum in March 2020 to 5.03 per cent per annum in April 2020. However we cannot use this more recent lending rate data in our cost index until we have more recent data for all indicators used in the index, including quarterly indicators which will not be reported until after the April 2020 to June 2020 quarter. This data may not be released in time to be used in this draft decision.

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<sup>127</sup> Australian Bureau of Statistics 2020, 6401.0 - Consumer Price Index, Australia, March 2020, accessed 19 May 2020, <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6401.0main+features4March+2020>.

<sup>128</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6401.0Media%20Release1March%202020>, accessed 27 May 2020.

<sup>129</sup> Reserve Bank of Australia 2020, Statement on Monetary Policy: May 2020, May, p. 77.

<sup>130</sup> *ibid*, p. 87.

<sup>131</sup> Transport Accident Commission 2020, Questions and answers about the transport accident charge, accessed 19 May 2020, <https://www.tac.vic.gov.au/about-the-tac/our-organisation/transport-accident-charge/transport-accident-charge-information>.

# Appendix E –Stakeholders who made a submission

## **Booking service provider**

- 13cabs

## **Peak body**

- Transport Alliance Australia
- Victorian Taxi Association
- Victorian Drivers Alliance Inc.

## **Meter service provider**

- Schmidt Electronic Laboratories Pty Ltd

## **Individuals**

- Anonymous
- Anonymous
- Brian Gammon
- Chrisentiae Saint-Piaf
- Darryl Marks
- Jackie Fristacky
- Jone Jones
- Ronald Heard

## **Non-cash payment surcharge provider**

- Cabfare

## **Rideshare provider**

- Ola Australia

# Appendix F – Different approaches to assessing maximum fares

In our consultation paper, we sought stakeholders' feedback on five options for assessing maximum fares. We summarised these approaches in this appendix. We addressed stakeholders' feedback on the different approaches in Chapter 4.

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. In using any of these approaches we would also need to consider other relevant matters in accordance with our legislative objectives and requirements.<sup>132</sup>

**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 requires the most input from the industry

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 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>132</sup> Essential Services Commission Act 2001, s. 8, s. 8A and s. 33; Commercial Passenger Vehicle Industry Act 2017, Part 6, Division 1A; Transport Integration Act 2010, Part 2.

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 taxi operators and booking service providers as we need to collect a range of data such as taxi trip and shift data.

## **Using the 'current taxi cost index' will not impose administrative burden**

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.

If we use this approach, we would need to update the index to reflect the most recent data that will be available when we make our final decision: data covering the period June 2018 to June 2020. It is likely that when we update the index the suggested change in fares could be different to what our index suggests now.

Using our current index has the benefit of being quick, transparent, and not requiring taxi operators or booking service providers 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 market since we last reviewed costs. For example, the shift from LPG vehicles to hybrid vehicles may have changed taxi operators' costs.

## **Reviewing the cost basket will be costly for the industry**

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>133</sup> changes in technology<sup>134</sup> and other costs that may have changed since our previous review.

This approach would require significantly more evidence from taxi operators than the alternative of updating the current taxi cost index. It is also uncertain what the outcome of using this approach would be. That is, we would need to collect a range of cost and market data from taxi operators.

## **Keeping fares unchanged will provide some certainty**

Another option would be to 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. In the consultation paper, we noted that we would also only adopt this approach if the information we obtain and the analysis we undertake as part of this review suggest it would be appropriate in the context of our legislative objectives and requirements.

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.

## **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>135</sup> The inquiry commented on the impact of market reforms, which have resulted in lower incomes for many drivers of booked and unbooked vehicles.<sup>136</sup> However, we set the maximum taxi fares for unbooked taxi services, not driver incomes. Hence increasing the maximum fares by CPI does not mean driver incomes will increase. It is even possible driver incomes would further decrease if the higher fare causes passengers to use alternative methods of transport rather than taxis.

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<sup>133</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>134</sup> Some cost components may no longer be relevant and there may be new ones 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>135</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.

<sup>136</sup> Parliament of Victoria, Legislative Council Economy and Infrastructure Committee, Inquiry into the Commercial Passenger Vehicle Industry Act 2017 reforms, November 2019, p. ix and 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.

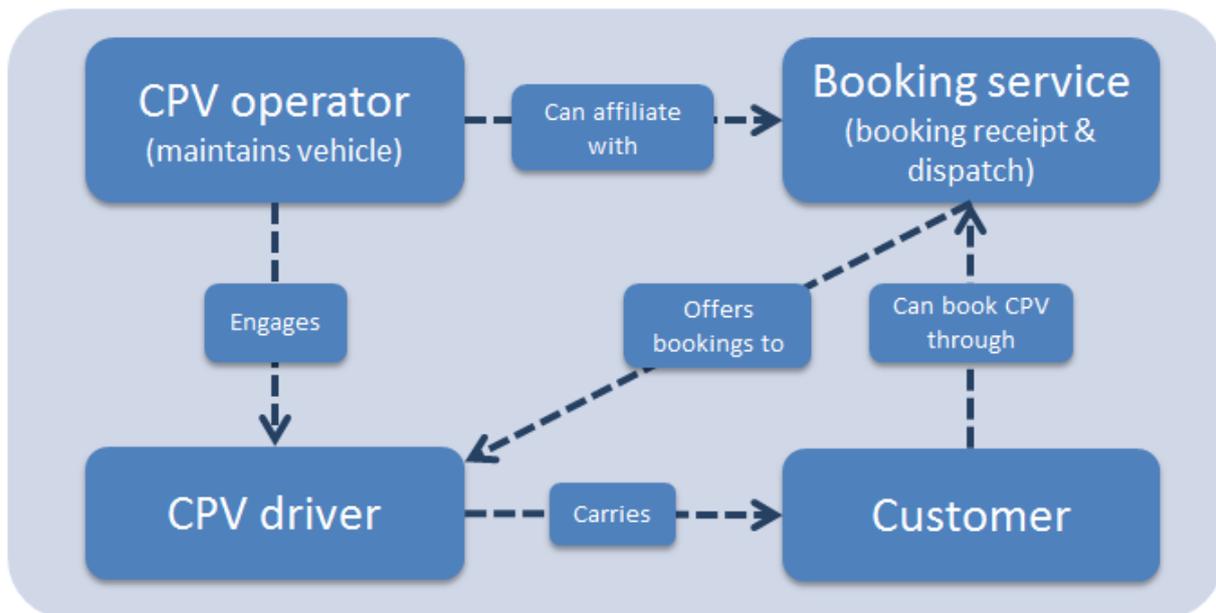
### The commercial passenger vehicle industry

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 CPV: 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 operate vehicles.

Figure G.1 Commercial passenger vehicle industry participants



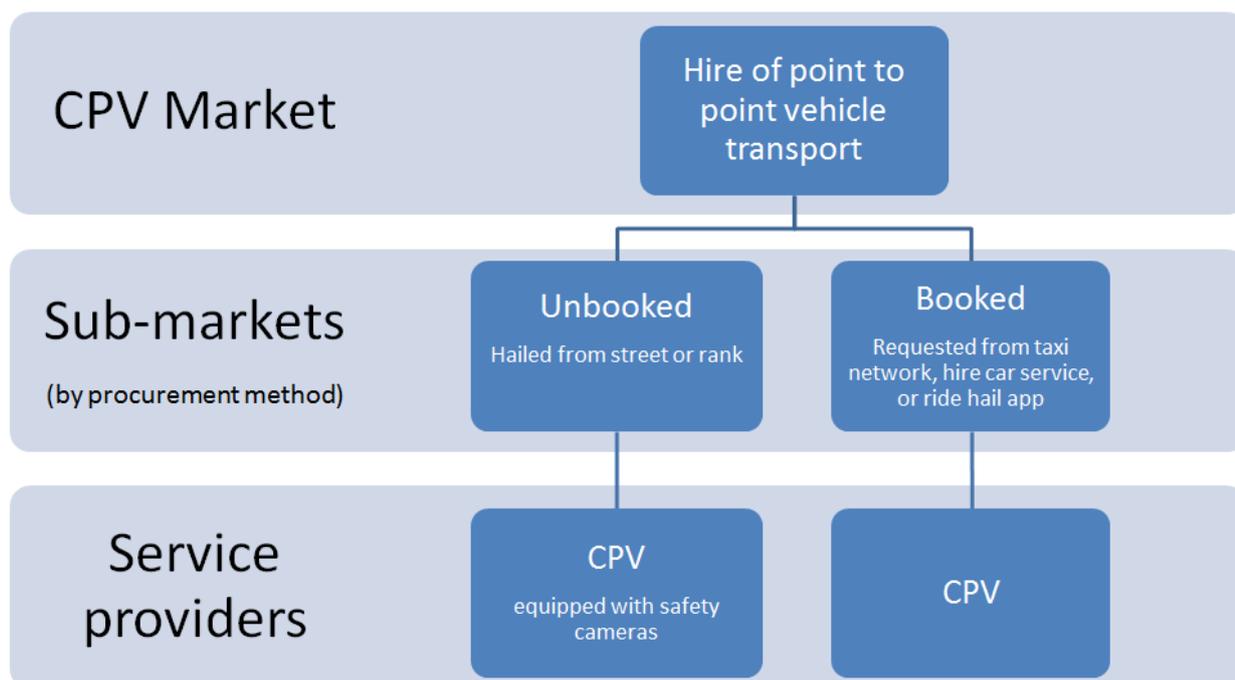
#### Sub-markets and service providers

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 trips that have been provided through a booking service provider such as Silver Top or GoCatch.

By contrast, unbooked trips are all other CPV trips. In practice this means unbooked trips occur when a CPV is hailed from the street or from a rank. Any CPV may be registered to provide unbooked trips provided it complies with specific legislative requirements (for example a fare calculation device is installed<sup>137</sup> and a security camera is installed<sup>138</sup>). Figure G.2 illustrates the differences between booked and unbooked CPV.

**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 up-front and compare service providers over the phone or the internet.

<sup>137</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 12.

<sup>138</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 commercial 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.

Reforms with particular relevance to our current review include:

- additional safety duties; maintaining a register of safety risks and reporting notifiable incidents and
- 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 and
- 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>139</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 in the death of or serious injury to any person
- an incident resulting in attendance by a police officer or health professional.<sup>140</sup>

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<sup>139</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 5 and r. 6.

<sup>140</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>141</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>142</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>143</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>144</sup> It has also trialled providing MPTP trips using ride-share services in Greater Geelong from March 2020 to May 2020.<sup>145</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>141</sup> Commercial Passenger Vehicles Victoria, ‘Multi-Purpose Taxi Program’, accessed 24 May 2020, <https://cpv.vic.gov.au/passengers/mptp>.

<sup>142</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>143</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>144</sup> Commercial Passenger Vehicles Victoria, Multi Purpose Taxi Program, accessed on 12 June 2020, <https://cpv.vic.gov.au/passengers/mptp>.

<sup>145</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 applications (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. It is now common for passengers to book taxis using an app.

The increasingly 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.

## Section detail

### 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.

**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> <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>

## Section detail

- (e) supporting financial sustainability.

### 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—
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## 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

## Section detail

- (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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## Appendix I: Glossary

Term	Definition
Booking service provider	A person, company or association who provides a service that reserves CPVs to transport passengers at a certain time, departure point, and destination.
Commercial Passenger Vehicle (CPV)	A motor vehicle registered to provide a commercial passenger vehicle service, being 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, excluding a bus used to provide a bus 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 commercial passenger vehicle 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.
Day tariff	The maximum tariff rates applicable from 9am to 5pm in the metropolitan zone.
Distance rate	A fare component that is a fee per kilometre travelled. In current 'time or 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, waiting time rate and booking fee.
Flagfall	A fare component that is a fixed fee charged regardless of the distance travelled or journey time.
High occupancy	The carriage of five or more passengers at a time in a commercial passenger vehicle.
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.
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 (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.
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 application.
'Time and distance' tariff	A 'time and distance' tariff calculates fares for CPV trips 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 CPV trips using only the 'time or distance' rate

	that applies (depending on the speed of the vehicle).
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).
Waiting time rate	A fare component that is a per minute charge. In the current time <b>or</b> distance tariffs waiting time rate applies when travelling at 21 kilometres per hour or slower (also referred to as the ‘time rate’).