

## Independent Pricing and Regulatory Tribunal

- *Drivers' notional wage* - the increase proposed has been reduced in line with the average rise of 3.80 per cent in the NSW wage cost index.
- *Drivers' cleaning costs* - reduced to a 3.23 per cent rise in line with the Sydney CPI.

The effect of each amendment on the cost indices is shown in Tables 4.2 and 4.3. The amended indices are shown in full in Tables 4.4 and 4.5.

**Table 4.2 Summary of amendments to urban taxi cost index**

	Total increase (%)
<b>Taxi Council submission</b>	<b>5.31</b>
Reduce vehicle lease interest rate for June quarter data	5.28
Shave plate lease interest rate	5.10
Update plate values for June quarter plate values data	5.84
Adjust establishment costs by Sydney CPI (LPG conversion)	5.81
Adjust vehicle parts & panels for June quarter national CPI	5.83
Remove operator superannuation from index	5.77
Use NSW WCI for wage cost movements and update for June quarter	5.07
Adjust uniform costs for June quarter Sydney CPI	5.14
Adjust other costs for June quarter Sydney CPI	5.09
Adjust fuel costs for June quarter fuel data	4.80
Adjust cleaning costs by Sydney CPI	4.69
<b>IPART amended index</b>	<b>4.69</b>

**Table 4.3 Summary of amendments to country taxi cost index**

	Total increase (%)
<b>Taxi Council submission</b>	<b>6.97</b>
Reduce vehicle lease interest rate for June quarter data	6.94
Increase plate lease costs by urban increase	6.14
Adjust establishment costs by Sydney CPI (LPG conversion)	6.12
Adjust vehicle parts and panels for June quarter national CPI	6.13
Remove operator superannuation from index	6.05
Use NSW WCI for wage cost movements and update for June quarter	5.31
Increase uniform costs for June quarter Sydney CPI	5.34
Adjust other costs for June quarter Sydney CPI	5.33
Adjust fuel costs for June quarter fuel data	5.10
<b>IPART amended index</b>	<b>5.10</b>

Table 4.4 Amended urban taxi operating costs

Urban Operator Expenses	Index Change	IPART	Amended weights	Contribution	IPART
		amended June 2002			June 2003
<b>Fixed Costs</b>		\$			\$
Vehicle Lease payments	7.84%	8281	4.79%	0.38%	8930
Insurance	4.98%	12737	6.22%	0.31%	13371
Govt Charges	4.47%	739	0.46%	0.02%	772
Network Fees	1.00%	6436	3.41%	0.03%	6500
Plate Lease cost	12.38%	19500	14.17%	1.75%	21913
Annualised Est'ment Costs	1.87%	1399	0.60%	0.01%	1425
<b>Variable Costs</b>					
Maintenance Labour	-1.85%	6854	4.08%	-0.08%	6727
Vehicle Parts & Panels	1.70%	10944	5.20%	0.09%	11130
Cleaning	9.17%	360	0.23%	0.02%	393
Tyres	9.17%	2800	1.61%	0.15%	3057
Operator's Superannuation	16.78%				
Operator Salary Equivalent	3.80%	12525	7.28%	0.28%	13001
Driver entitlements	3.75%	3731	2.17%	0.08%	3871
Uniforms	1.69%	2400	1.50%	0.03%	2441
Other	3.23%	3484	2.03%	0.07%	3597
<b>Driver Expenses</b>					
LPG Fuel	1.54%	15774	8.35%	0.13%	16018
Drivers' Notional Wages	3.80%	62135	36.14%	1.37%	64496
Cleaning	3.23%	2860	1.77%	0.06%	2952
<b>Total</b>		172959	100.00%	<b>4.69%</b>	180594
		<b>IPART</b>			<b>IPART</b>
		<b>amended</b>	<b>Amended</b>	<b>Contribution</b>	<b>June</b>
		<b>June 2002</b>	<b>weights</b>		<b>2003</b>
		<b>\$</b>			<b>\$</b>
<b>Operator Component</b>		92,190	53.74%	3.13%	97,128
<b>Driver Component</b>		80,769	46.26%	1.56%	83,466
<b>Total</b>		172,959	100.00%	<b>4.69%</b>	180,594
<b>Percentage changes in:</b>					
Operator Component				5.83	
Driver Component				3.37	

#### 4.19.1 Implications for operators and drivers

- If urban taxi operators were to be exactly compensated for the rise in their costs in 2002/03, the pay-ins from bailee drivers would have to be increased on average by 5.83 per cent.
- Drivers would retain the balance of the fare increase which would be equal to the rise in their costs as measured by the index.

Table 4.5 Amended country taxi operating costs

Country Operator Expenses	Index Change	IPART amended June 2002 \$	Amended weights	Contribution	IPART June 2003 \$
<b>Fixed Costs</b>					
Vehicle Lease payments	8.27%	7703	5.87%	0.49%	8340
Insurance	5.91%	6858	4.93%	0.29%	7263
Govt Charges	4.47%	739	0.59%	0.03%	772
Network Fees	10.42%	9660	6.97%	0.73%	10667
Plate Lease cost	12.38%	10575	10.15%	1.26%	11884
Annualised Est'ment Costs	1.87%	700	0.48%	0.01%	713
<b>Variable Costs</b>					
Maintenance Labour	6.40%	6057	4.09%	0.26%	6445
Vehicle Parts & Panels	1.70%	5692	3.02%	0.05%	5789
Cleaning	-22.18%	2944	2.39%	-0.53%	2291
Tyres	9.17%	2001	1.49%	0.14%	2184
Operator's Superannuation	16.78%				
Operator Salary Equivalent	3.80%	12525	9.47%	0.36%	13001
Uniforms	1.69%	2400	1.95%	0.03%	2441
Other	3.23%	3216	2.44%	0.08%	3320
LPG Fuel	5.61%	13171	9.12%	0.51%	13910
<b>Driver Expenses</b>					
Notional Driver's Wages	3.80%	48957	37.04%	1.41%	50817
<b>Total*</b>		133198	100.00%	<b>5.10%</b>	139836
<b>Country Operator Expenses</b>					
		IPART amended June 2002 \$	Amended weights	Contribution	IPART June 2003 \$
<b>Operator Component</b>		84241	62.96%	3.70%	89019
<b>Driver Component</b>		48957	37.04%	1.41%	50817
<b>Total</b>		133198	100.00%	<b>5.10%</b>	139836

## 5 FARE STRUCTURE: ANALYSIS AND RECOMMENDATIONS

### *Translating the overall rises into the fare structure*

For practical reasons, the recommended fare rises differ slightly from the rises in the urban and country cost indices. The recommended fares rise are: urban fares 4.73 per cent, country fares 5.06 per cent. Without convincing argument on the need for changes in the fare structure, the current fare structure should be *broadly* retained, except for the radio booking fee.

The specific changes recommended by the Tribunal are a reflection of three things:

1. the rounding necessary to produce a rise in the average fare closest to the changes in the urban and country cost indices
2. allowing for multiple use of the extras button, and
3. allowing for meterable increments on waiting time.

### 5.1 Summary of final fare recommendations

Tables 5.1 and 5.2 show the Tribunal's recommendations on fare structures which come closest to the cost index-based rises of 4.69 per cent (urban) and 5.10 per cent (country).

**Table 5.1 Recommended urban taxi fare structure**

Current Fare Structure		Recommended Fare Structure		% change
<b>Urban</b>				
Flagfall	\$ 2.55	Flagfall	\$ 2.65	3.92
Distance (per km)	\$ 1.45	Distance (per km)	\$ 1.53	5.52
Radio	\$ 1.25	Radio	\$ 1.00	-20.00
Waiting time (per hour)	\$ 37.35	Waiting time (per hour)	\$ 40.00	7.10
<b>Average fare</b>	<b>\$ 14.98</b>	<b>Average fare</b>	<b>\$ 15.69</b>	4.73

Notes to table:

1. Average fare is based on a 7km trip, a radio booking every third trip and 3 minutes of waiting time.
2. The night rate surcharge remains at 20 per cent and applies only to the distance rate. The night-time average fare is \$17.84 or 13.65 per cent higher than the day rate.
3. The lost 25 cents on the radio booking fee every third trip has been reallocated to the flagfall for every trip at 8 cents a trip, plus an extra 2 cents as general fare rise.

**Table 5.2 Recommended country taxi fare structure**

Current Fare Structure		Recommended Fare Structure		% change
<b>Country</b>				
Flagfall	\$ 3.05	Flagfall	\$ 3.15	3.28
Distance (per km)	\$ 1.51	Distance (per km)	\$ 1.59	5.30
Radio	\$ 0.75	Radio	\$ 0.80	6.67
Waiting time (per hour)	\$ 37.35	Waiting time (per hour)	\$ 40.00	7.10
<b>Average fare</b>	<b>\$ 9.82</b>	<b>Average fare</b>	<b>\$ 10.32</b>	5.06

Notes to table:

1. Average fare is based on a 3km trip, a radio booking every second trip and 3 minutes of waiting time.
2. The night rate surcharge remains at 20 per cent and applies only to the distance rate. The night-time average fare is \$11.27 or 9.24 per cent higher than the day rate.
3. The distance rate specified above relates to the first 12 km. The Tribunal recommends that the existing rate of \$2.11 per km for travel in excess of 12km be increased to \$2.22 per km.

## 5.2 Related fare structure issues

### 5.2.1 Changing neither the night surcharge rate nor its coverage

NSW taxis have a night rate as well as a daytime rate. The night rate is a 20 per cent surcharge on the distance rate which means that the average fare is 13.55 per cent higher if the trip starts after 10pm (Table 5.3).

**Table 5.3 Current day and night rates for urban taxis**

Current Fare Structure				
Urban		Night Rate		% difference
Flagfall	\$ 2.55	Flagfall	\$ 2.55	0.00
Distance (per km)	\$ 1.45	Distance (per km)	\$ 1.74	20.00
Radio	\$ 1.25	Radio	\$ 1.25	0.00
Waiting time (per hour)	\$ 37.35	Waiting time (per hour)	\$37.35	0.00
<b>Average fare</b>	<b>\$ 14.98</b>	<b>Average fare</b>	<b>\$17.01</b>	13.55

In relation to the night rate, the Taxi Council argued:

The night-time surcharge aims to encourage drivers to work after 10pm and is similar to higher pay rates that apply to shift workers. Because the surcharge only applies to the distance rate, the surcharge shifts the balance between the fare components and hence the incentives for drivers alter.

In order to restore incentives for drivers to accept short journeys, and pick-up booked customers after 10pm the surcharge percentage should be applied equally to each component

In order to encourage drivers to work during less popular times, a Sunday and public holiday surcharge should apply in all areas as is common in other industries that provide services at these times. At present such a surcharge only applies to taxis in country areas.

Applying a 20 per cent night rate surcharge to *all* components of the fare structure would result in a large increase in the current price of a post-10pm taxi trip. To generate the same fare, but spread over all components, the surcharge rate would have to be reduced to 13.55 per cent.

To do the same thing, but apply the surcharge only to distance and waiting time (as suggested by the TWU), would require the surcharge to be reduced to 16.89 per cent from 20 per cent (Table 5.4).

**Table 5.4 Generating the same post-10pm fare by extending the night surcharge to waiting time**

Current Fare Structure				
Urban		Night Rate		% difference
Flagfall	\$ 2.55	Flagfall	\$ 2.55	0.00
Distance (per km)	\$ 1.45	Distance (per km)	\$ 1.69	16.89
Radio	\$ 1.25	Radio	\$ 1.25	0.00
Waiting time (per hour)	\$ 37.35	Waiting time (per hour)	\$43.66	16.89
<b>Average fare</b>	<b>\$ 14.98</b>	<b>Average fare</b>	<b>\$17.01</b>	13.55

*Incentives*

The Tribunal appreciates the desire of the Taxi Council to create a greater incentive for drivers to be on the roads after 10pm and on Sundays and public holidays, but has several reservations about recommending the extension.

First, little discussion took place at the workshop concerning the coverage of the night rate other than the fact that it applied more broadly for country taxis.

Second, little evidence was offered to show that more taxis are needed on to the roads after 10pm and on Sundays and public holidays.

Country taxis may apply the night rate to Sundays and public holidays. Equity considerations might suggest that the same extension be granted to urban taxis for Sundays and public holidays. That implies a 13.55 per cent rise in the current fare for urban trips commenced before 10pm on Sundays and public holidays.

*Little basis for large rises*

The Tribunal sees little basis for such large rises without evidence of a serious lack of taxis on the road on Sundays and public holidays. The same issues, in principle, apply to the more modest suggestion of the TWU to extend the night surcharge to waiting time.

In its November 1999 report, the Tribunal noted:

The Department of Transport recently announced the introduction of a 20 per cent surcharge on the kilometre rate for travel between 10pm and 6am. The Tribunal recommends that service levels at night-time be monitored to see if the fare increase improves taxi availability.<sup>4</sup>

Lack of data has prevented the Tribunal from assessing the effectiveness of the surcharge as a means of increasing taxi availability after 10pm.

### **5.2.2 Metering the 'Extras' button to 50 cent increments**

The Tribunal would like to rationalise and simplify the extras button. There is no simple way of doing this because urban tolls are not exact multiples of any sizeable increment and a current radio booking fee of \$1.25. The radio booking fee could easily be rounded up to the nearest 10 cents but the Tribunal's inclination to recommend a 50 cent rise to the extras button requires a sizeable shift in the radio booking fee well beyond the overall recommended fare increase.

Instead, the Tribunal has decided to recommend reducing the radio booking fee to \$1 and to compensate for the 25 cents lost by lifting the flagfall by 8 cents (radio bookings attach to about one in three trips) plus 2 cents more as part of the general fare increase. A 50 cent extras button will record all tolls to within 20 cents given that they are \$2.20, \$3.00, \$3.30, \$3.80 and \$4.00 for the M4, the Bridge & Tunnel, M5, M2 and Eastern Distributor respectively.

*The Tribunal recommends that drivers be required to round down or up to the nearest 50 cents which implies a 20 cent loss on the M4, a 20 cent gain on the M5 and M2.*

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<sup>4</sup> IPART, *Review of the Taxi Cab and Hire Car Industries, Final Report*, 24 November 1999, p 42.

### **5.2.3 Reconsidering the luggage fee at the next review**

The industry participants did not believe the luggage fee particularly workable in its present form. The Taxi Council suggested it be charged per piece rather than by weight and the TWU suggested it be abolished completely.

**The Tribunal intends to reconsider the luggage fee at its next review.**

### **5.2.4 Cross-boundaries fare negotiations**

In its submission to the Tribunal, Penrith Council questioned the application of fare provisions that 'burden passengers' when they travel across the metropolitan boundary.

Whilst full details of this fare provision have not been provided to Council, it is understood that passengers are required to negotiate fares with the taxi driver on journeys that cross the river (Nepean). This is considered to be neither fair nor equitable when comparisons are drawn with services provided within other locations in the metropolitan area.<sup>5</sup>

The Tribunal sought clarification on this matter, the Ministry of Transport responding:

In relation to the question of fares, it is a common misconception that urban fares only apply in Sydney whilst, as you know, they apply equally all over Newcastle, Maitland, Wollongong, Shellharbour, the Central Coast, Blue Mountains, around Grahamstown Lake, part of Lake Macquarie and towards the Southern Highlands. However, in order to ensure the viability of driving a taxi, the law provides that if drivers are hired to do jobs outside their licensed areas, wherever that may be in the State, they are under no obligation to accept such hirings.

The reason for this is so that drivers cannot be required to take passengers to other towns which may be significant distances from their bases, in unknown territory, beyond their radio reception area, and specifically where they are most unlikely to obtain a return fare. To compensate them, if they do undertake such journeys, they are allowed to negotiate the fare for the out-of area component of these trips<sup>6</sup>.

Penrith Council noted: "Penrith LGA has a metropolitan area boundary (Nepean River) running through it".<sup>7</sup> Passengers travelling from suburbs west of Penrith to, say, Penrith TAFE or Penrith shopping centre must negotiate a fare for a trip as short as 2km.

Such trips are entirely within the area in which the urban fare schedule applies.

*The Tribunal requests the Ministry of Transport to review the boundaries of the so-called fringe areas with a view to correcting any anomalies.*

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<sup>5</sup> Penrith Council submission, p 4.

<sup>6</sup> Advice to the Tribunal from the Ministry of Transport, 25 July 2003.

<sup>7</sup> Penrith Council submission, p 3.

### 5.3 Interstate comparisons

The Tribunal collected evidence of fare components across jurisdictions. It notes that fare structures are not very different across selected Australian states and territories.

Table 5.5 indicates some ratios between flagfall, distance, radio booking fee and waiting time. In general, the flagfall in NSW taxis is low relative to the distance rate but high relative to the radio booking fee.

**Table 5.5 Interstate fare comparisons**

	Sydney	NSW Country	Canberra	Melbourne	Perth	Adelaide	Brisbane
Flagfall	\$2.55	\$3.05	\$3.20	\$2.80 <sup>1</sup>	\$2.90	\$2.40	\$2.50 <sup>2</sup>
Distance (per km)	\$1.45	\$1.51	\$1.28	\$1.31	\$1.17	\$1.18	\$1.25
Radio	\$1.25	\$0.75	\$0.65	\$1.10	-	-	\$1.00
Waiting Time (per hour)	\$37.35	\$37.35	\$28.50	\$27.00	\$33.60	\$23.40	\$31.58 <sup>3</sup>

**Selected ratios**

	Sydney	NSW Country	Canberra	Melbourne	Perth	Adelaide	Brisbane
Flagfall/Distance	1.8	2.0	2.5	2.1	2.5	2.0	2.0
Flagfall/Radio	2.0	4.1	4.9	2.5	-	-	2.5
Waiting time/Distance (crossover speed)	25.8 kph	24.7 kph	22.2 kph	20.6 kph	28.7 kph	19.8 kph	25.3 kph

Note: Fares are for daytime, single hirings of standard taxis.

1. Includes first 76.34 metres of journey.
2. Includes first 102.7 metres of journey.
3. Exact calculation is 10 cents per 11.4 seconds.

Participants in the workshop did not think interstate comparisons were particularly helpful and preferred to deal with the issue of NSW taxi fare structure on its merits.

### 5.4 Views of workshop participants

Submissions to the Tribunal expressed divergent views on the current fare structure and prospective changes to it.

**The Taxi Council** (submission p 14) argued for the status quo:

It is important that the relationship between components is maintained so that incentives remain for drivers to accept all types of hires. It is also important to ensure that particular types of passengers are not disproportionately disadvantaged by any changes in fares.

The Taxi Council is not aware of any basis for determining the correct 'theoretical' relationship between fare components for taxis. Therefore we suggest using the current charge components and levels as a starting point for any adjustments. The Council believes the current relationship between the fare components provides an effective balance of incentives for drivers and cost signals to customers. Consequently a strong argument would need to be made before any change in the relationship between components should be considered.



The TWU argued for a cut in the radio booking fee to \$1 with the lost 25 cent cut put onto the flagfall. The reduction in the booking fee would enable it to be entered exactly into a 50 cent 'extras' button (currently \$1.25) which could also be used to recoup the cost of Sydney tolls to within 20 cents.

The TWU wanted to lift the notional speed for payment of waiting time. Currently, a taxi driven below 22 kilometres per hour earns payment as if it is travelling at 25.8kph. The TWU wanted that lifted to a taxi travelling at 30kph continuing to earn that rate once the taxi slows to below 22kph.

The NSW Council of Social Services expressed concern that a rise in the radio booking fee disadvantaged those people unable to hail a taxi, namely, older people and those with disabilities, and may also include those who use taxis to attend frequent medical treatments.

## 6 TAXI SERVICE QUALITY

### 6.1 Performance requirements

Standards of performance required of taxi networks are set out in the Ministry of Transport's Interim Standards for Authorised Taxi Network Operators. These interim standards were introduced in 1993, and state, "these interim authorisation standards are currently required to be met with more stringent standards of performance being required after a phased introduction of one year".<sup>8</sup> These more stringent standards have as yet not been put in place by the Ministry of Transport.

#### ***Metropolitan performance standards***

The required performance standards are separated into those relating to operations, telephone answering standards, delivery standards and customer services. In relation to telephone answering standards, requirements include:

- 90 per cent of calls to be connected to the booking service immediately
- of these, 70 per cent are to be answered within 1 minute
- and 90 per cent answered within 2 minutes.

In relation to delivery standards, requirements include:

- 85 per cent arrival within 15 minutes of booking being made
- 98 per cent arrival within 30 minutes of booking being made
- 100 per cent arrival within 60 minutes of booking being made.

#### ***Country performance standards***

For telephone answering standards, the country requirements are the same as those for metropolitan network providers. In relation to delivery standards, requirements include:

- 85 per cent arrival within 10 minutes of booking being made
- 98 per cent arrival within 15 minutes of booking being made
- 100 per cent arrival within 20 minutes of booking being made.

These performance requirements are tighter than those applying to metropolitan network operators.

The Ministry of Transport expects performance reports to be submitted by metropolitan network operators every three months. The Tribunal was provided with the quarterly reports lodged with the Taxi and Hire Car Bureau (THCB) for the twelve months ending December 2002 prior to the release of its Issues Paper. However, the Tribunal has had difficulty obtaining subsequent quarterly reports from the THCB.

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<sup>8</sup> Ministry of Transport, *Interim Standards for Authorised Taxi-Cab Radio Communication Networks*, September 1993.

### *Unavailability of quarterly reports*

The Tribunal noted its concerns over the level of compliance with the current reporting obligations in its Issues Paper. The THCB was unable to provide the Tribunal with any quarterly reports for the June quarter 2003. Nor was the THCB able to provide the Tribunal with all of the network quarterly reports for the March quarter 2003. Consequently, an industry-wide picture of performance levels is still unobtainable.

Furthermore, the current performance standards only relate to the service quality of taxi trips booked through a radio booking service. This constitutes no more than 44 per cent of total taxi hirings.<sup>9</sup>

### *Networks meet telephone standards; short on delivery standards*

The reports to which the Tribunal has access broadly indicate that the telephone answering targets were met by each of the taxi networks.<sup>10</sup> They did not perform as well in meeting delivery standards. Specifically, one network reported that in the March quarter 2003 only 50.59 per cent of bookings were picked up within 15 minutes of a booking being made. This is well short of the performance standard which requires 85 per cent arrival within 15 minutes of a booking. This failure to meet authorisation performance standards is not an isolated occurrence; of the six March quarter 2003 reports made available to the Tribunal by the THCB, only two networks reported compliance with this particular requirement.

### *Tribunal concerns*

The Tribunal is concerned that the performance measures in the quarterly reports may not be the best indicators of service quality. The standards relating to pick up time after a booking are based on a proportion of bookings taken, not pick ups actually made. For one operator, only 83 per cent of pickups occurred within 15 minutes of booking, yet this was 96 per cent of the pickups actually made by the company. Another reported making only 70 per cent of pickups within 15 minutes of booking, but again due to the large proportion of bookings offloaded to another network 97 per cent of the pickups actually made were within 15 minutes of a booking. Perhaps of greater concern is that in the case of one network 5,710 bookings (or 0.6 per cent of all bookings) were unable to be met, even after offloading to other networks. All metropolitan networks were unable to meet some bookings.

## **6.2 Complaints register**

The Ministry of Transport also maintains a register of complaints. This only records complaints made via the THCB's complaints phone line. No record is kept of the number of complaints made to taxi companies, and reports by drivers of assault by passengers or failure to pay are also not recorded. While this measure of service quality is broader than that provided by the quarterly reports, in that it potentially encompasses all taxi trips, it is more indicative of the frequency of incidences of very poor service quality rather than general levels of service quality.

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<sup>9</sup> TDC Sydney taxi customer survey report No. 98/4. This figure is outdated and anecdotal evidence suggests the percentage is now below 44 per cent. In its submission, the TWU assumed 33 per cent and the April 2003 taxi survey suggests they could be as low as 19.4 per cent.

<sup>10</sup> The THCB has indicated to the Tribunal that it has some reservations about the accuracy of some of the information it currently receives from some network operators.

**Table 6.1 Summary of complaints registered with THCB**

	2002*	2003*
Abuse, assault or rudeness	201	182
Driving in a dangerous manner	113	122
Refuse hire when 'for hire'	98	124
Demand more than prescribed fare	91	94
Fail to arrive/arrive late	86	93
Fail to take shortest route	73	53
Vehicle unfit/unclean	60	54
Poor knowledge	31	16
<i>Total of complaints listed above</i>	753	738
Other	195	158
<b>Total</b>	<b>948</b>	<b>896</b>

Source: THCB \* 1 January - 15 April.

Table 6.1 presents data from 1 January 2003 through until 15 April 2003, and compares it to data from the same period in 2002. The THCB has been unable to supply data beyond 15 April 2003. The Ministry of Transport website reports that a new database came into operation on 14 April 2003 to manage feedback from taxi customers. This system "will record all feedback from customers - whether it comes via the taxi company, Transport Infoline or Taxi and Hire Car Bureau".<sup>11</sup> The Tribunal has requested complaints data from this system but has been unable to obtain the information from the THCB.

The limited data available show a 5.5 per cent decline in the number of complaints reported when compared with the same period last year. The number of complaints recorded as received per year has been falling since 1999.

### 6.3 National taxi users survey

In 2002, a national survey of taxi customers was conducted involving interviews with taxi users across NSW, Victoria, South Australia, Western Australia and Tasmania. This survey indicates that customer satisfaction levels in Sydney were the lowest in the country. Table 6.2 below reproduces the findings of the national survey.

**Table 6.2 Overall satisfaction ratings from National Survey**

Overall satisfaction	Vic	SA	Tas Hobart	Tas Laun'ton	Sydney Metro	Sydney Outer	NSW Rural	WA
<b>Good or very good</b>	79%	80%	92%	85%	<b>70%</b>	<b>78%</b>	<b>84%</b>	86%

Source: 2002 National Taxi Survey.

<sup>11</sup> Ministry of Transport website, [www.transport.nsw.gov.au](http://www.transport.nsw.gov.au)

The proportion of customers who either had made or had felt like making a complaint was greater in Sydney than other areas. Table 6.3 below provides survey data on complaints. 'Made a complaint' includes customers who have made a complaint to a taxi company, government department or some other body about a taxi experience.

**Table 6.3 Complaints data from National Survey**

	Vic	SA	Tas Hobart	Tas Laun'ton	Sydney Metro	Sydney Outer	NSW Rural	WA
<b>Made a complaint</b>	4%	3%	1%	2%	5%	4%	4%	3%
<b>Felt like complaining but didn't</b>	17%	22%	13%	6%	26%	12%	10%	18%

Source: 2002 National Taxi Survey.

The data from the national survey suggest a far greater incidence of complaints than data from the THCB. The THCB data imply that complaints are made on fewer than 0.01 per cent of trips.

*Tribunal reservations*

The Tribunal has reservations about the robustness of the national user survey and the validity of the results given the small sample size for metropolitan Sydney of 192 people. In relation to Table 6.3 above, the result that 5 per cent of Sydney taxi users have made a complaint involves 10 people. The Tribunal does not consider this sufficient ground to draw the conclusions contained in the national survey report, such as that 1 in 3 Sydney taxi customers have had an experience that they felt warranted a complaint.<sup>12</sup>

**6.4 VIP cabs: two-tier service, two-tier fare structure?**

Since the mid-1990s, there has been a rapid growth of a premium taxi service under the brands Silver Service, Prestige and Diamond. Currently, these cabs, numbering around 275 in Sydney, offer a premium service in terms of quality of cab and personalised service. Anecdotal evidence suggests that they are taking significant amounts of business away from the standard 'white' cabs and, to a much lesser extent, from hire cars.

At the Taxi Workshop on 6 June, the Taxi Council and the THCB both held the view that "a cab is a cab". Indeed, the THCB has no records which would enable it to distinguish between taxis by type, vehicle make or even age.

An obvious reason the VIP cabs are said to be taking market share from the standard whites is that both charge the same fare. As long as this remains the case, it is highly likely that premium taxis will continue to garner market share. The bias towards the VIP cabs is heightened if they receive, as some drivers of standard taxis allege, the best jobs from the radio networks (who also want to offer their callers the best cabs available).

The Tribunal notes evidence to this effect in recent taxi radio network statistics which show both call rates and offload rates for VIP cabs which are twice the size of the call rates and offload rates for standard cabs. The VIP cabs seem to be facing ample demand (whether directly from customers or indirectly by network choices); indeed, more than they can handle.

<sup>12</sup> 2002 National taxi survey - research report, p 42.

Given these incentives, no one in the industry should be surprised if the two tiers in the taxi 'market' become increasingly obvious as operators and drivers switch over to VIP status and disputes between the two classes of driver and operator become increasingly acrimonious.

The Tribunal was asked at the 6 June workshop to consider a two-tier fare structure in recognition of the emergence of the VIP cabs. The Tribunal would prefer more discussion on some of the implications of such a move from participants in the industry and requests the Ministry of Transport to investigate the matter further.

## 6.5 Wheelchair accessible taxis

Anecdotal evidence suggests that the level of service received by wheelchair users requiring WAT vehicles is well below that provided by standard vehicles. In their submission to the Tribunal, the Physical Disability Council of NSW (PDCN) stated,

The greatest cause for complaint by wheelchair users about wheelchair accessible taxi services is late arrival or delays. It is common for PDCN to be told by wheelchair users that their taxi was between 45 minutes and 1 hour late for a booked appointment.<sup>13</sup>

To the extent that the PDCN's experience is the norm, this compares unfavourably with the performance standards presented in section 6.1 and helps explain the Taxi Council's desire to improve service to WATS users such that "by 2005, response times for WATS are to be equal to the general network standards for booking service response times" (Taxi Council submission p.12).

The Ministry of Transport's performance standards state that networks must report on the average delivery time for WATs. This requirement applies to all country networks. Within the metropolitan standards this requirement is limited to Newcastle and Wollongong networks. In Sydney, a dedicated WAT booking service operates (the 0200 service). The THCB informs the Tribunal that this booking service is not a network and is not required to comply with reporting or performance standards.

Despite the reporting standards in place for the non-Sydney-based networks, the THCB has been unable to produce for the Tribunal any network reports providing details of the number of WAT vehicles or the average delivery time.

In its 2002 investigation into wheelchair accessible taxis, the Human Rights and Equal Opportunity Commission found that of all the states and territories, NSW has the lowest proportion of WATs in its taxi fleet.<sup>14</sup>

In an attempt in the late 1980s and early 1990s to increase the number of WAT vehicles in the fleet, the NSW Ministry of Transport issued 92 so called 'nexus plates' to networks. Each consisted of a standard unrestricted taxi plate and an unrestricted WAT plate that was tied to it (hence the name 'nexus' plate). The idea was that the revenue derived from the standard plate would be used by the network to fund the operation of the 'nexus' WAT plate. At current plate values, the 92 standard plates are worth in excess of \$25 million, a windfall to the networks which received them.

<sup>13</sup> Physical Disability Council of NSW submission, 2003, p 8.

<sup>14</sup> Human Rights and Equal Opportunity Commission, *Report of Wheelchair Accessible Taxi Inquiry*, March 2002.

Submissions to the Tribunal and the taxi workshop suggested that the revenue derived from the standard plates could be used to improve the service quality afforded to wheelchair taxi users which was the original intent of the nexus plate scheme.

The Tribunal estimates that lease revenue derived from the standard nexus plates is close to \$2 million per annum. At the workshop, it was suggested that this could be used to fund \$20 of the cost of each wheelchair job,<sup>15</sup> removing the need for the imposition of an additional lift fee on wheelchair customers.

The Tribunal has requested further information on the current status of these nexus plates from the THCB. The THCB has informed the Tribunal that an unspecified number of the WAT nexus plates are 'on hold' (that is, not in use). The THCB also informed the Tribunal that a much smaller number of the standard nexus plates are 'on hold'.

Further, the THCB has stated, "We have been checking with the networks recently and the great bulk are with networks. We believe that a small number have been transferred and a small number where the nexus has been broken".<sup>16</sup> The THCB is unable to determine whether the funds generated through the nexus plates have been used to provide WAT services, but consider the amount of revenue derived over the life of the scheme to have been "substantial"<sup>17</sup>. In relation to this matter, the Director-General of the Ministry for Transport has advised that, "Many of the relevant records are no longer available".<sup>18</sup>

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<sup>15</sup> Transcript of Taxi Workshop, 6 June 2003, p 51.

<sup>16</sup> Transcript of Taxi Workshop, 6 June 2003, p 53.

<sup>17</sup> Transcript of Taxi Workshop, 6 June 2003, p 53.

<sup>18</sup> Letter from Transport NSW to NSW Ombudsman, submitted to the Tribunal as part of its inquiry.

## 7 IMPACT OF RECOMMENDATIONS ON CUSTOMERS, THE ENVIRONMENT AND PUBLIC FUNDING

### 7.1 Social considerations: income profile of Sydney taxi users

Transport Data Centre (TDC) data indicate that average annual personal income of taxi users was \$54,694 in 2001. Those earning over \$78,000 took 24 per cent of trips. People earning less than \$10,000 per annum were also significant taxi users (Figure 7.1 indicates the median income of travellers in each income class and the number of trips taken).

Figure 7.1 Number of trips for each personal income group

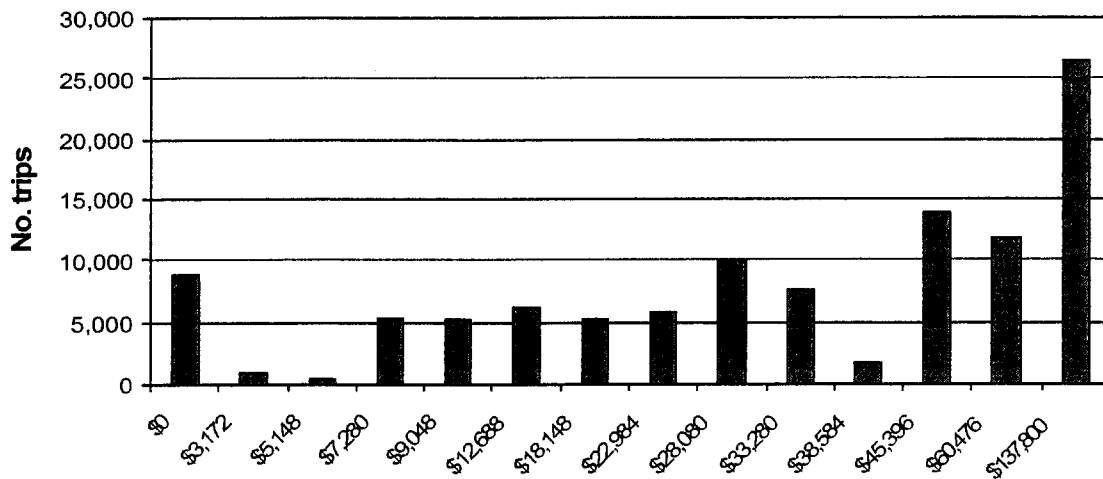


Table 7.1 shows average personal incomes for users of other modes of transport in 2001.

Table 7.1 Income of full-fare paying users of different transport modes

Mode	Number Of Average Weekday Trips	Average Personal Income	Average Household Income	Median Household Income
Priv bus Sydney	74,253	\$29,171	\$64,161	\$56,160
STA buses	256,772	\$43,471	\$82,766	\$64,116
STA ferries	27,183	\$59,425	\$95,332	\$71,864
CityRail	490,167	\$43,371	\$78,356	\$63,492
Taxis	117,152	\$54,694	\$103,119	\$81,068

Source for this table and all figures: TDC Household Travel Survey 2001.

The average annual household income of taxi users is \$103,119, (median \$81,068). Whilst mean and median household incomes are high, there are a significant number of taxi users in low household income brackets - 10 per cent have household incomes below \$10,000.

A further indicator is the labour force status of taxi users. Figure 7.3 shows that the majority of taxi users are in full time employment (61 per cent). A significant number of taxi users are pensioners, either aged or other (such as disability benefits).



Figure 7.2 Number of trips for each household income group

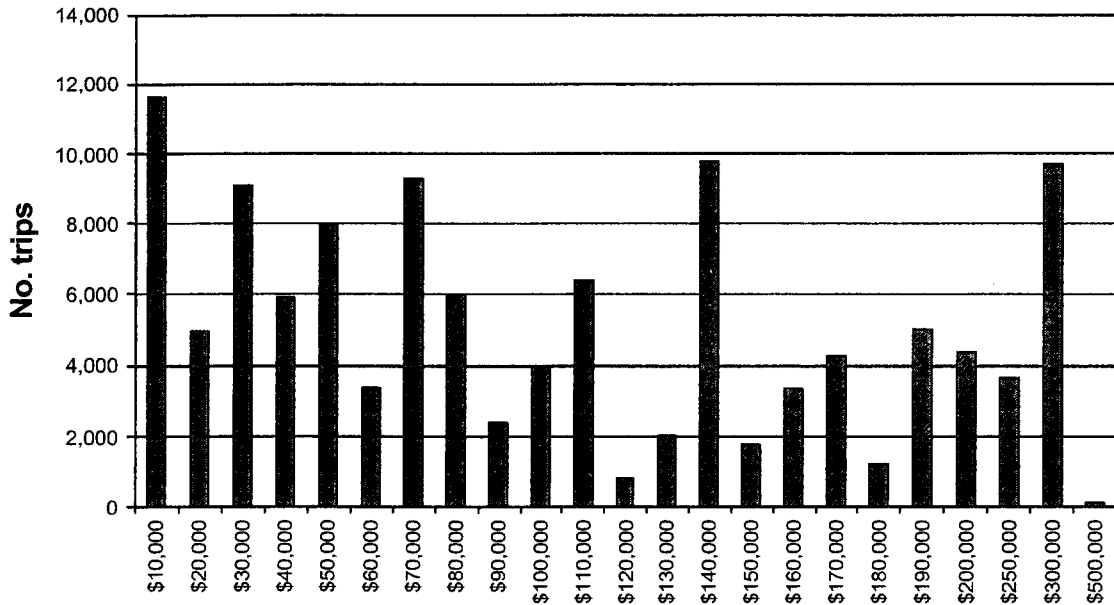
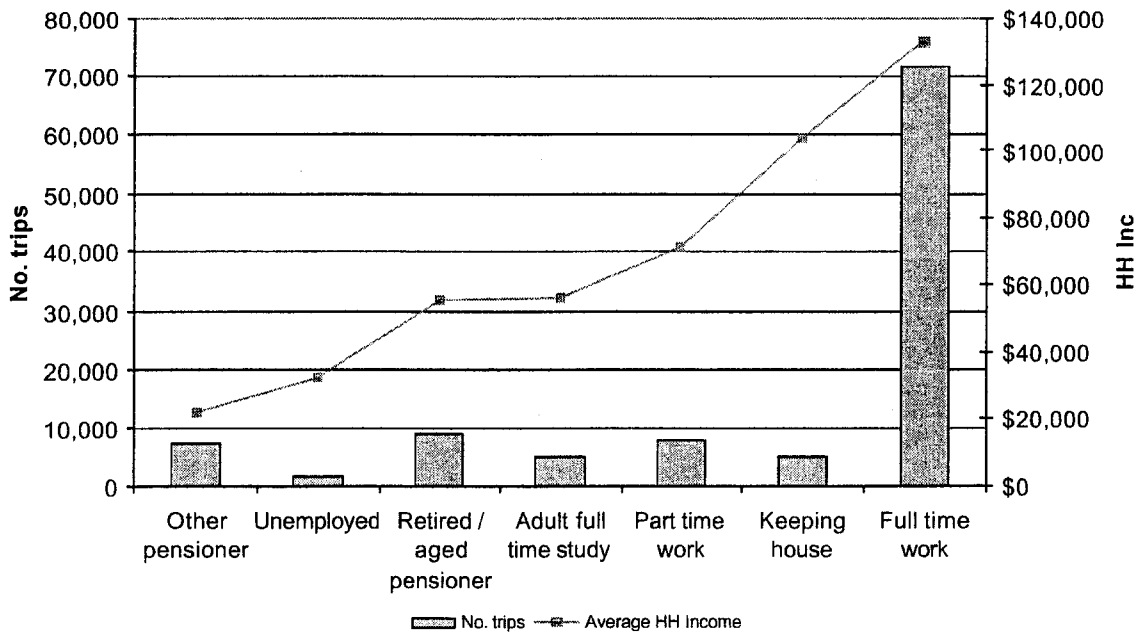


Figure 7.3 Number of trips by labour force status



## 7.2 Social considerations: Taxi Transport Subsidy Scheme

According to THCB data, there are 38,933 people registered as eligible for the Taxi Transport Subsidy Scheme (TTSS), of whom 10,943 are wheelchair users. Approximately 60 per cent of users are in the Sydney area.

Under the TTSS, participants receive a voucher which covers half the fare, up to a value of \$30. In the 2002 financial year, \$13.2 million was paid to taxi companies under the TTSS<sup>19</sup> which equates to a subsidy of \$339 for each registered participant. While the THCB, which administers the TTSS, could not provide the Tribunal with the average number of trips taken by users of the scheme, the Tribunal estimates this to be 43 per year per registered user.<sup>20</sup>

Discussions with the PDCN suggest that a proportion of registered participants are not heavy scheme users and are registered in case the need for a taxi arises. The THCB could not provide figures to verify or refute this assertion.

The THCB was unable to provide the Tribunal with the total number of trips taken under the scheme. Based on the Tribunal's calculation of 43 trips per registered user per annum, the TTSS contributes towards approximately 1.7 million taxi trips per year. According to the TDC data, 16,401 taxi trips per weekday are taken by people in receipt of aged or other pensions (see Figure 7.3). This amounts to 4.3 million trips per year on weekdays alone.

## 7.3 Environmental considerations

The impact on the environment from the Tribunal's pricing recommendations, as far as pollution and congestion goes, is likely to be minimal. The state's taxi fleet of 6,000 is insignificant given that there are over three million passenger vehicles in NSW.

In general, the Tribunal views all public transport as environmentally positive because it serves to reduce the number of passenger motor vehicles on NSW roads. However, it is the mass transit modes that provide the greatest opportunity to reduce car travel, rather than largely single-person modes such as taxis, motorcycles and bicycles.

To the extent that taxi demand is greatest on Fridays and Saturdays and after hours during the working week, the availability of taxis serves to discourage car use in crucial periods.

The modest fare rises recommended by the Tribunal are unlikely to discourage the use of taxis in urban and country NSW.

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<sup>19</sup> Ministry of Transport Annual Report, 2002, p 75.

<sup>20</sup> Based on a weighted average of 60 per cent of the urban 'average fare' and 40 per cent of the country 'average fare' which amounts to \$15.65. TTSS covers half this fare, or \$7.83. Dividing \$339 by \$7.83 amounts to approximately 43 trips per year.

## 7.4 Ministerial requests on patronage

The Tribunal was asked to make recommendations on fare structure and their relationship to patronage. The consultant hired to research these matters for the Tribunal, Booz Allen Hamilton (Australia), was unable to unearth any useful material. In particular, the consultant found that:

1. The international evidence on the price elasticity of demand for taxi services was sparse and of questionable quality. That said, most estimates were between -0.3 and -0.8, and varied by market segment as expected (eg. business travellers are less responsive to a price rise). A table of results was included in the April 2003 Issues Paper.
2. There was simply no international evidence on the relationship between various fare components and patronage. This was noted in the Issues Paper.
3. An attempt to relate fare components to taxi industry costs produced wide ranges on the appropriate cost-related prices chargeable for each component. The width of the range arises because about two-thirds of taxi operating costs cannot be attributed to any specific measure of taxi use (so are called indirect costs) so there cannot be a unique fare structure that reflects costs. Rather, the indirect costs can be 'spread' across the various fare components in several reasonable ways, resulting in various cost-reflective fare structures.

The Tribunal posted the consultant's report, entitled *Appraisal of Taxi Fare Structure Issues*, on its website in July.

## 7.5 Effect on government funding

The impact of higher taxi fares on government funding is limited to the Taxi Transport Subsidy Scheme. In 2002, the TTSS cost \$13.2 million.<sup>21</sup> The maximum rise given the recommended fare increase is about \$600,000. However, the \$30 reimbursement cap per fare would keep the additional funding required to less than this estimate.

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<sup>21</sup> Ministry of Transport Annual Report 2002, p 75.

## 8 REVISITING THE TAXI COST INDEX WEIGHTS

An extensive re-weighting of the taxi cost indices was mentioned at the 6 June workshop as a possibility for future reviews. This chapter suggests how five of the weights might be amended in the light of evidence already given to the Tribunal during this and previous reviews.

### 8.1 Weights that may better reflect urban taxi operating costs

In principle, all the variable costs should be revised every year along with their weights, made larger or smaller depending primarily on kilometres travelled. But data on kilometres travelled have not, to date, been part of the review process. In February 2003, the Taxi and Hire Car Bureau (THCB) offered to provide the Tribunal with taxi odometer readings to assist in this matter but has since retracted this offer.

The Tribunal has considered how the weights might be changed in the light of existing data. Specifically, it has looked at the items in the current urban taxi cost index that have been disputed by the TWU and which differ significantly from estimates provided in the 1999 Taxi and Hire Car Review. The Tribunal has also examined the 2002 submission of Canberra Cabs to the ACT Independent Competition and Regulatory Commission (ICRC).

The cost items in the current urban cost index, the 1999 Review and the TWU submission are shown in Table 8.1. On several items, the 2002 cost index is very different from the 1999 Review and the TWU submission. For others, the TWU submission is different.

The relativities between the weights in Table 8.1 suggest that the weighting pattern in the current urban cost index might well be refined.<sup>22</sup>

For example, based on information supplied in the TWU submission, the Tribunal's 1999 Review and submissions made to the ICRC, the Tribunal would consider adopting new weights for some operator costs. In particular, looking at the urban index as at June 2002, a case can be made for significant changes to:

1. **Maintenance labour** - reducing the cost from \$6,854 to \$5,150
2. **Parts and panels** - \$10,944 to \$8,250
3. **Tyres** - \$2,800 to \$1,920
4. **Operator salary equivalent (admin)** - from \$12,525 to \$2,146
5. **Uniforms** - from \$2,400 to \$450.

The first three changes together would amount to a reduction from \$20,598 to \$15,320. That is similar to the \$15,120 which would be the CPI-adjusted figure of \$13,500 cited in the Premier Cabs submission to the 1999 Review.

<sup>22</sup> In its written response to the TWU submission, the Taxi Council noted: "The TWU produces a range of alternative costs but seems to provide little verification of these costs". Likewise, Mr Ramshaw of the Taxi Council suggested at the workshop, "Why would any emphasis be put on weights proposed by the TWU, for instance, than what we have substantiated? (Transcript, p 10, line 25.) In what follows, the Tribunal will show to what extent it believes the TWU weights have been substantiated, and how the Tribunal might consider varying them at the next review, pending evidence to the contrary.

Table 8.1 Operator Cost Estimates

	IPART and Taxi Council 2002	TWU single taxi	IPART 1999 operator driver and 1 bailee	IPART 1999 in 2002 prices
<b>Fixed Operator Costs</b>				
Vehicle lease	8281	7000	8900	9968
Insurance	12737	12737	14774	16547
Govt charges	739	739		
Network fees	6436	6436	5850	6552
Plate lease	19500			
Establishment costs (annualized)	1399	1200		
Standby cab				
Garaging		500	400	448
<b>Variable Operator Costs</b>				
Maintenance labour	6854	5000	} 13500	15120
Parts and panels	10944	8000		
Cleaning (ATIC detailing)	360	360		
Tyres	2800	1635		
Operator superannuation	1002	140		
Operator salary equivalent (admin)	12525	1560		
Driver entitlements	3731	3731	} 6200	6944
Uniforms	2400	450		
Other	3484	1000	2800	3136
Accident excess		500		
<b>Total Operator Costs</b>	<b>93192</b>	<b>50988</b>	<b>52424</b>	<b>58715</b>

Note: The 1999 Review also included Fuel & Wash \$6,500 and Vehicle registration \$400 which brought Total operating [sic] expenses to \$58,924. The estimate of the same aggregate by the NSW Taxi Industry Association was \$60,578. In 2002 dollars the two aggregates would become \$65,995 and \$67,847 respectively.

Sources: IPART, *Report on fares for taxis, private buses and private ferries*, June 2002, p. 30; TWU submission 2003 p.17; IPART, *Review of the Taxi Cab and Hire Car Industries, Final Report*, 24 November 1999, p. 63.

#### Maintenance and Parts – Items 1 and 2

The combined estimate of \$13,400 for the first two components, Maintenance labour and Parts and panels, is based on a long list of service and maintenance data supplied to the Tribunal by the Taxi Council in September 1999. The items have been sorted into service and parts components, excluding any items included elsewhere in the urban cost index (such as car detailing and tyres). These costs totalled \$11,749.

Updated for the rise in the CPI since July 1998, the total would be \$13,361 (which includes the jump in the CPI caused by the introduction of A New Tax System on 1 July 2000). Recent data for repairs and maintenance made for Canberra Cabs in the ACT suggests this estimate might still be on the high side, since repairs and maintenance on a Canberra cab in 2002 was \$11,690 (excluding GST).

#### Tyres – Item 3

The Tribunal estimate for tyres, \$1,920, is based on a single cab travelling 175,000km a year. The usage rate for each tyre might well be assumed to be 40,000km per tyre, a figure biased towards the upper end of a range based on the 30,000km as sourced from Ford by the Taxi Council and the 43,750km as implied by Taxi Council data in its list of service and maintenance costs as at July 1998. The bias towards the upper end is supported by the estimate of 45,000km that Canberra Cabs cited in its 2002 submission to the ICRC. At

40,000km per tyre, a cab travelling 175,000km required four sets of four tyres at a 2002 retail price of \$120 per tyre (Dunlop Monza, inclusive of GST).

The \$1920 cost might still be an overstatement, since Sydney taxis would travel less than 175,000km per annum if they are only on the road 47 weeks of the year. The TWU submits that 47 weeks is a more accurate estimate for single cab operations, which it combines with 3035kms travelled per week to derive its estimate of 142,000km per annum. In addition, the widespread use of retreads in the industry, if such a practice could be verified, would reduce the cost estimate on tyres.

The travel distance per week used in the calculations above is based on 200 paid trips per week at an average trip distance of 7kms with the remainder of the distance being accounted for by travel without a passenger. Evidence on average trip length in the 2001 Household Travel Survey puts it at 7.1kms. The April 2003 Taxi Survey put the average distance travelled per week at 2350 to 2684 based on a mean 235 or median 244 kilometres per shift times 10 or 11 shifts a week. The survey also implied a trip length of 7.3kms or 7.9kms, depending on whether median or mean data are used.

#### *Operator's salary equivalent - Item 4*

The fourth change would be quite major, reducing operator's salary equivalent by around five-sixths. Its present calculation is based on an operator spending 10 hours per week or 520 hours a year administering a cab. Canberra Cabs calculated that it took 53.33 hours a year per bailee driver to administer an ACT cab. Even allowing for two full-time bailee drivers working four shifts each *and* one three-shift bailee driver, the total per year for operator administration would be 146 hours, a reduction of almost 75 per cent on the present assumption of 520 hours.

In addition, the cost index applies average weekly ordinary time earnings to an operator's administrative hours. Earnings were \$909.30 per week per person at June 2002, or \$22.73 per hour for a 40-hour week. But the Tribunal noted in its 2002 report (p 25) that:

The decision to operate a taxi is largely independent of average weekly earnings figures for NSW. The decision is based on the returns one can receive from a taxi, and these are largely based on fare revenue received.

In the absence of fare revenue data, the Tribunal would be inclined to choose an industry rate of pay such as the \$14.70 per hour that is awarded to drivers by the Industrial Relations Commission for sick leave and holiday pay. Its merit is that it would be the closest approximation for "returns one can receive from a taxi".

The operator salary equivalent cost adopted for the 2002 base would then become 146 hours times \$14.70, or **\$2,146**. This is substantially below the previous costing but above the TWU figure in Table 8.1.

#### *Uniforms - Item 5*

The fifth change could be for uniforms. If the Taxi Combined Services (TCS) by-laws and the TCS uniform shop prices as cited in the TWU submission were accurate as a guide to uniform costs, this cost item would be **\$480** to reflect the cost of uniforms for one permanent driver and two casuals per year. That cost is also loosely related to the 2002 cost of ACT uniforms of \$465, albeit their functional life is stated to be two years.

## Independent Pricing and Regulatory Tribunal

### *Other weighting changes considered*

The Tribunal also considered the possible inclusion of two other cost items, driver superannuation and driver operating costs. The Tribunal requested responses from the Taxi Council and the Ministry of Transport on these possible inclusions.

As already discussed in Chapter 4 (section 4.11), there is, at present, no legal requirement for drivers to be paid superannuation because they are not employees. Were the status of this item to change, the Tribunal would reconsider it as a cost of operating a taxi.

The Tribunal notes that the TWU submission argued that driver operating expenses were excluded from both variants of the Urban Cost Index. Subsequent to the taxi workshop on 6 June, the TWU delegate provided a spreadsheet of driver operating costs, shown in Table 8.2. The annual total of \$12,310 is closer to \$24 a shift.

**Table 8.2 Driver operating expenses not included in current urban cost indices**

<b>Driver Expenses</b> <i>(assumes 500 shifts per year)</i>	<b>per shift</b> \$	<b>per 50 shifts</b> \$	<b>per year</b> \$
Fare evasions		30	300
Tolls not paid as fares	3		1500
Meal allowance	7		3500
Downtime Taxi Wash [Night]	5		1250
Downtime Pay In Admin	3		1500
Downtime Breakdown Casuals		50	500
Downtime Cleaning Soiled Cab		15	150
Court Appearances			100
Laundry Allowance	2		1000
Cabcharge Refusals			50
Assault Costs not reimbursed			250
Mobile Phone		50	500
Uniforms not provided			250
Stationary			100
Street Directory			25
Robbery \$\$ loss			50
Seat Lumbar support 3 years			35
Accounting Tax & GST			600
Driver Training 10 years			200
Union Dues			360
Drivers License			50
Drivers Authority			40
			<b>\$12,310</b>

5 days / 6 nights x 47 Weeks = 517 shifts

The Tribunal notes the possibility that some driver operating costs are missing from the cost index but requires substantiation before considering their inclusion.

The Tribunal invited the Taxi Council and the Ministry of Transport to comment on this matter. The Taxi Council argued that many of these 'costs' are either revenue or income items (such as fare evasions, tolls, meal allowance) or are costs already included in the index (such as all the 'downtime' items; drivers' notional wage, cleaning, laundry allowance).

The Taxi Council noted that some items might be extra driver costs; driver training, authority and licence costs, street directory, incidental stationery and accounting fees. The Council suggested that they could be treated as a group cost item subject to CPI adjustment.

The Ministry of Transport asserted that it was not 'appropriate' to include driver operating costs in the cost model. It also asserted that:

...such matters might more relevantly be included in an application by the Transport Workers' Union of Australia for a variation to the Taxi Industry (Contract Drivers) Contract Determination 1984.<sup>23</sup>

## 8.2 Revenue estimates and financial viability

A common theme that emerged during the Tribunal's reviews of fares for taxis, private buses and private ferries has been financial viability. All the parties who bear the revenue risk highlighted their lack of a sustainable return on their activities.

At the heart of any meaningful assessments of financial viability are reliable estimates of revenues and costs. To date, for taxis, the Tribunal has had to rely on indirect estimates of industry revenue (as in the April 2003 Issues Paper) or reasoned argument and insider understanding of on-road taxi operation from the TWU delegate and individual drivers.

One of the terms of reference is for the Tribunal to consider "the impact of pricing policies on borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets". Without reliable revenue and cost estimates, the Tribunal remains unable to shed light on financial viability or capital requirements.

### 8.2.1 Some revenue-side estimates

The TWU submission offered a set of revenue and driver cost estimates based on driver records (Table 8.3). These estimates have since found some support from the April Taxi Driver Survey, at least in terms of average shift comparisons (Table 8.4).

One helpful result of the TWU submission and April survey corroboration is that the income accruing to drivers, labelled 'drivers' notional wages' in this review, is made up of three parts:

1. driver operating costs
2. GST paid on fare revenue (netted off against GST included in pay-ins to operators and GST paid on LPG fuel and cleaning), and
3. driver net income before tax.

Further, the TWU submission and April survey suggest the sum of these three items is around \$64,000 which is not too dissimilar from the \$62,135 assumed by the Tribunal (refer back to Table 4.4) in the past when data were unavailable.

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<sup>23</sup> Letter to Tribunal Chairman from Director-General of the Ministry of Transport, dated 25 July 2003.



**Table 8.3 TWU Estimates of Taxi Revenues and Costs from Drivers' Records**

	Day Shift	Night Shifts							Total 5 + 6	47 Wks
		Mon	Tues	Wed	Thurs	Fri	Sat	Sun		
Fares \$	245	247	258	298	322	445	448	258	3243	152421
Kilometers	230	270	280	280	325	365	365	275	3035	142645
No of Trips	14	16	17	18	21	29	29	16	200	9400
Paid Kilometres	104	122	126	140	179	256	256	124	1599	75153
Vacant Time %	55	55	55	50	45	30	30	55	45.7	
Hours on Road	10	11	11	11	11.5	12	12	11	118.5	5569.5
Waiting Time (% total fares)	50	65	65	65	60	45	45	50	56.4	
No of Radio Jobs	6	5	5	6	7	7	6	4	66	3102
LPG Usage Litres	46	54	56	56	66	74	74	54	610	28670
LPG Usage \$	23	27	28	28	33	37	37	27	305	14335
Wash \$	0	10	10	10	10	10	10	10	60	2820
Pay In \$	118	128	131	141	159	180	180	140	1509	70923
Driver GST \$	8	6	6	9	9	18	18	5	106	4982
Other Expenses \$	12	13	15	15	20	20	20	20	163	7661
Driver Net Income \$	84	63	68	95	91	180	183	56	1100	51700

\* Avg = 5 day shifts & Mon - Sat night shifts.

**Table 8.4 Revenues & Driver Costs Per Shift – TWU & April 2003 Survey Estimates**

	TWU Submission		Taxi Survey	
	47 Wks	Average* Shift	47 Wks	Avg Shift
Fares \$	152421	294.8	141658	274.0
Kilometers	142645	275.9	126665	245.0
No of Trips	9400	18.2	8810	17.0
Paid Kilometres	75153	145.4	73414	142.0
Vacant Time %		49.1%		45.4%
Hours on Road	5569.5	10.8	5366	10.4
Waiting Time (% total fares)				42.0%
No of Radio Jobs	3102	6.0		3.3
LPG Usage Litres	28670	55.5	26310	50.9
LPG Usage \$	14335	27.7	13344	25.8
Wash \$	2820	5.5	3148	6.1
Pay In \$	70923	137.2	61042	118.1
Driver GST \$	4982	9.6	5200	10.0
Other Expenses \$	7661	14.8	6643	12.9
Driver Net Income \$	51700	100.0	52281	101.2
		16.29	Average Fare	17.37
		7.9	Avg Kms/ Fare	8.9
		18.2	Average Trips	17.0

\* Avg = 5 day shifts & Mon - Sat night shifts.

### 8.2.2 Tribunal recommendation for an extensive survey of the taxi industry

The TWU submission and the April survey results suggest a way forward. A survey of the taxi industry in Sydney, Wollongong, Central Coast and Newcastle modelled on the bi-annual Adelaide survey would obtain reliable revenue estimates for future reviews.

The survey should generate much needed shift statistics (hours worked, trip kilometres, total kilometres, passenger numbers and revenue), weekly statistics (number of shifts, downtime, fare evasions) and various productivity ratios.

The Adelaide survey is undertaken over several weeks and involves consultants and students who collect and analyse data on behalf of the Passenger Transport Board of SA. Such a survey could be extended to include operator and driver cost items.

## APPENDIX 1 TERMS OF REFERENCE

I, Bob Carr, Premier, approve, under Section 9(1)(b) of the Independent Pricing and Regulatory Tribunal Act 1992, the Tribunal entering into an arrangement with the Minister for Transport to investigate and report on the prices for taxi services regulated under the Passenger Transport Act 1990.

A final report is to be provided to the Minister for Transport by June each year.

In conducting this investigation, the Tribunal should consider:

- i. the cost of providing the services concerned;
- ii. the protection of consumers from abuses of monopoly power in terms prices, pricing policies and standards of service;
- iii. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers;
- iv. the impact of pricing policies on borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets;
- v. the need to maintain ecologically sustainable development;
- vi. the social impact of the recommendations;
- vii. standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise and any suggested or actual changes to those standards as notified to the Tribunal by the Minister for Transport); and
- viii. the effect of any pricing recommendation on the level of Government funding.

In conducting the investigation the Tribunal may consult with the Taxi Council and the relevant unions by arrangement with the Department of Transport.

Table A1.1 indicates where the terms of reference (i to viii) and requests from the then Minister of Transport (1 to 2) have been considered throughout the report

**Table A1.1 Consideration of the terms of reference and Minister's requests**

Terms of Reference	Report reference
i. cost of providing the service	Section 4
ii. protection of consumers from abuse of monopoly power	Section 4
iii. need for greater efficiency in supply of services	Sections 6.1-6.5
iv. impact of pricing on borrowing and capital requirements	Section 8.2
v. ecologically sustainable development	Section 7.3
vi. social impact of recommendations	Section 7.1-7.2
vii. standards of quality, reliability and safety	Sections 6.1 to 6.5
viii. effect on level of Government funding	Section 7.5
1. assessment of the cost index as a basis for setting fares	Section 4
2. changes to fare components and relation to patronage	Section 7.4

## **APPENDIX 2 WRITTEN SUBMISSIONS TO THE REVIEW**

**The following provided written submissions to the review:**

Blue Mountains Commuter and Transport Users Association - Mr Paul Trevaskis  
NSW Cabbie Welfare Association - Mr Faruque Ahmed  
NSW Committee on Ageing - Dr Dawn Linklater (Chairperson)  
Council of Social Service of NSW (NCOSS) - Mr Gary Moore (Director)  
NSW Taxi Council - Mr Peter Ramshaw  
Physical Disability Council of NSW - Mr Dougie Herd  
Shoalhaven Public Transport Working Party - Mr Kirk Bendall  
Transport Workers Union (TWU) - Mr Michael Jools  
Mr Mark Bristow, (Taxi Driver)  
Mr Graham Hoskins  
Mr Michael Jools, (Taxi Driver), several submissions  
Mr Eric Russell  
Mr Philip Stanfield, (Taxi Driver)

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## **APPENDIX 3 TAXI WORKSHOP PARTICIPANTS AND ATTENDEES**

### **Representatives of IPART:**

Dr Thomas Parry, Chairman  
Ms Cristina Cifuentes, Part-time Member  
Dr Dennis Mahoney, Program Manager, Transport

### **Roundtable participants:**

Mr Peter Ramshaw, NSW Taxi Council  
Mr John Bowe, NSW Taxi Council  
Mr Brian Wilkins, NSW Country Taxi Operators Association  
Mr Phillip Simpson, Taxi and Hire Car Bureau  
Mr Michael Jools, Transport Workers' Union delegate  
Mr Philip Stanfield, Drivers' representative  
Mr Dougie Herd, Physical Disability Council of NSW  
Mr Dinesh Wadiwel, National Council of Social Service

### **Audience comments from:**

Mr Faruque Ahmed, NSW Cabbie Welfare Association  
Mr Raj Chaudry, TWU representative  
Mr Robert Gollan, Vertel, taxi meter specialist

### **Other attendees:**

Mr Richard Langereis, Ministry of Transport  
Ms Sheridan Rapmund, IPART  
Mr Colin Reid, IPART  
Mr Mike Hatrick, TWU  
Mr Nandha Rajagopalan, THCB  
Mr Alex Georgiadis, NSW Taxi Council  
Mr Peter Siegl, TWU

## **APPENDIX 4 ABS ON WAGE COST INDEX AND EARNINGS**

Australian Bureau of Statistics Media Release 05/02/2001.

In a move designed to increase the focus on its Wage Cost Index [WCI] series for the tracking of wage and salary movements, and reduce the focus on its Average Weekly Earnings [AWE] series, the Australian Bureau of Statistics (ABS) today announced changes to the publication schedules for these statistics.

The ABS has brought forward the timing of its WCI publication and will cease the production of its preliminary AWE statistics. The final AWE publication will continue to be released each quarter to its current timetable.

Australian Statistician, Dennis Trewin, said the initiative was taken because he was concerned about the attention that was being given to the AWE series as indicators of change in wage rates.

"Although they are often used that way, the AWE series are significantly affected by changes in the composition of the work force which undermine their use as indicators of change in wage rates," he said. "While the AWE series continue to provide a reliable measure of the average wage bill, because they reflect factors such as the upward shift in the skill level of the work force, they do not represent changes in wage costs on a 'constant quality' basis."

"The AWE series can also be affected by the rolling-in of some entitlements into wages and salaries as a result of some workplace agreements." Mr Trewin said the WCI series provide each quarter direct measures of change in wage and salary rates on a 'constant quality' basis and are, in his opinion, far superior measures of this change.

"The publication timetable for the WCI will be brought forward from the March quarter 2001 issue (due out on 16 May 2001) so that it will become the first quarterly release on wage movements," he said.

The preliminary AWE series will be discontinued after the November 2000 issue, which will be released on 9 February 2001. The final AWE publication will continue to be released - the November 2000 issue will be released on 1 March 2001, and the February 2001 issue on 17 May 2001, one day after the WCI publication.

The changes that are being made relate to the publication of these statistical series only. The source collections will continue in the same way and the same level of statistical detail will be available as now.

Mr Trewin advised that the AWE series will continue, as they are useful for analysis purposes, and are frequently used for indexation and contract escalation.