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Level 10, 117 Clarence Street, Sydney NSW 2000

Taxi Fare Review 2020
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, Victoria 3000

Thursday 7 May 2020

RE: Essential Services Commission: Unbooked Taxi Fare Review 2020

Dear Commissioner,

Thank you for the opportunity to provide a submission into Unbooked Taxi Fare Review 2020.

At Ola, we are passionate about providing high levels of safety, quality and fairness to our drivers and riders. We are supportive of the review's goal of promoting the long-term interests of Victorian consumers. Indeed, rideshare offers a clear alternative to consumers to meet their varying transport needs. We believe there is a chance to increase competition in the market, while protecting essential transport services for vulnerable Australians, such as wheelchair accessible taxis.

We strongly encourage competition across the sector and believe the key to providing a better deal for consumers is to allow the market and consumers to shape it through choice and demand, rather than regulation.

The impact of COVID-19 on the industry, as well as the administrative and financial burdens on the industry from model reviews should be front of mind during this review. We also strongly believe that the ongoing nature of reviews and model changes should be considered to limit the costs of the system to Victorian consumers.

Finally, Ola believes in simplicity in design in public policy. Models which are complex and have unknown impacts on the market and consumers soon be avoided. This is especially relevant now, given the economic impact of COVID-19 and changes in cost of living for drivers and consumers.

If you would like any further information or to discuss, please feel free to contact my team at gov.relations@olacabs.com.

Kind Regards

A handwritten signature in blue ink, enclosed in a dashed rectangular box. The signature appears to be "Simon Smith".

Simon Smith
Managing Director
Ola International



Ola Australia Pty Ltd

**Submission:
Victorian Government
Essential Services Commission
Unbooked Taxi Fare Review 2020**

Thursday 7 May 2020

Victorian Government Essential Services Commission: Unbooked taxi fare review 2020

Ola Australia Pty Ltd Submission

Introduction

Ola was founded in India in 2011 and is one of the world's largest and fastest growing rideshare companies, operating in Australia, New Zealand, the United Kingdom and India.

One of the keys to our successful growth and global expansion has been our focus on drivers. We give drivers the opportunity to increase their earnings by taking lower commission rates, which allows drivers to make more per ride. We also offer more consumer choice, including on prices and vehicle types, to help passengers conveniently and safely get from A to B.

In Australia and New Zealand, we have over 1.5 million users and as of July 2019 we had served over 100 million kilometres. We have over 75,000 drivers on the platform and we are looking to double this within the year.

Ola harnesses technology to connect people who have matching needs – drivers with underutilised vehicles to consumers seeking transport. Alongside our core rideshare platform, Ola is a key global innovator in the mobility space, investing significantly in emerging transport technologies such as electric vehicles.

Ola takes seriously its responsibilities to the communities in which it operates, including tax obligations, regulatory compliance and our responsibilities to the users of the platform, both drivers and riders. We seek to engage constructively with government and the broader transport sector in developing more efficient and sustainable solutions to the transport needs of all Australians.

The Review

The Essential Services Commission is required to review and set the maximum fares commercial passenger vehicles can charge for unbooked or rank and hail trips every two years. These fares apply to trips which begin in metro and urban zones covering most of metropolitan Melbourne, Geelong, Ballarat, Bendigo, Frankston, Dandenong and the Mornington Peninsula.

At Ola, we are passionate about providing high levels of safety, quality and fairness to our drivers and riders. We are supportive of the review's goal of promoting the long-term interests of Victorian consumers. Indeed, rideshare offers a clear alternative to consumers to meet their varying transport needs. We believe there is a chance to increase competition in the market, while protecting essential transport services for vulnerable Australians, such as wheelchair accessible taxis.

We strongly encourage competition across the sector and believe the key to providing a better deal for consumers is to allow the market and consumers to shape it through choice and demand.

Unbooked services play a large role in the transport market which is available exclusively to taxis. Their access to rank and hail work should, of course, be monitored to ensure consumers are protected, however increasing competition will do more for consumers than regulation. Regulation seeking to place an upper limit on fares can result in those rates becoming *the* fare, rather than the *maximum* fare.

If this is the case, the Government is setting a figure for taxis to charge which may not reflect the actual costs of operating the taxi, while allowing these companies to pass the burden of explaining those costs to the Government without challenge. It could be argued that such a model is akin to providing a government endorsement for those fares. The risk being that operators face lower costs than those attributed to in the fare setting model, allowing them to profit from the higher fare. Of course, the opposite also holds true and taxis may in fact not be able to recover their costs because the fares are set too low.

Regulation in this particular case may be having the opposite effect to that intended by the Act allowing consumers to be paying higher fares than necessary. It could also be hurting businesses which are unable to recover their costs, which is not a good outcome for the market, especially at this time.

Ola would argue that allowing taxi companies to set their own fees may help those companies adjust post-COVID-19 and to meet their costs. They would also be free to set an amount more in line with their actual costs, which in some cases may be lower than the model dictates. We would however argue that this model should only occur in areas where strong competition exists - metro and urban areas - to give consumers choice particularly between using booked or unbooked services.

Regional and rural areas, and specialist services such as wheelchair taxis, should remain regulated to keep prices down, given they are markets without strong competition. Setting a model for these areas/services should reflect their unique circumstances and use simple methods such as the Consumer Price Index (CPI) to adjust the model.

The consultation paper prepared for this review looks at models for assessing maximum fares; the impact of recent industry changes; and time and distance vs time or distance fares. We have prepared our response with these in mind, while also acknowledging the economic and social implications of the COVID-19 outbreak on the industry and the future of the industry in Victoria.

Specific Questions Raised by the Commission

1. What do you think are the advantages and disadvantages of each of these approaches to assess the level of maximum fares? What is your preferred approach?

a. market outcomes: using supply and demand in the commercial passenger vehicle industry to assess maximum fares

Broadly speaking, Ola is supportive of allowing the market to drive price, and the behaviour of market players and consumers. While we support and adhere to all regulations, we strongly discourage over-regulation and promote simplicity in design.

The biggest issue Ola has with this model is the complexity of determining changes and the consequent costs associated with administering this determination. Increases in costs, such as this, may need to be recovered through other industry fees which we would not support. The market has been hit with massive downturns thanks to COVID-19, but prior to this crisis the industry was also experiencing increasing costs for drivers and cost of living for drivers and consumers. Additional fees would be an extra unwanted burden at this time.

Additionally, the unknown outcome of this model makes it vague and subsequently makes it difficult to assess the true impact on fares.

Notwithstanding the previous point, a better outcome may be to allow the market to set these fees. The Essential Service Commission should consider removing the upper limit on unbooked taxi fees. This removes the cost and administrative burden on the Commission and industry participants, and allows taxis to set the amount they determine they need to recover to run their businesses. We acknowledge this may impact customers who choose this type of service in the short-term, however they do have the opportunity to use booked services, including rideshare as an alternative.

The one exception to this would be wheelchair and accessible taxis which provide a specific service to an important group of vulnerable people. Ola would be supportive of maximum fare regulations for these vehicles for this reason. The Commission should seek to set these prices in an informed and cost-effective manner which is not likely to be this market outcomes model.

b. updating the taxi cost index: using the taxi cost index from our previous review to assess how maximum fares should change

Given changes to the broader economy during the COVID-19 crisis this data is likely to be significantly outdated. If reviews of this index and its component parts are not updated to reflect current costs (as they are in the next model), it could lead to higher fares for consumers which are not based on true costs.

If this model was chosen, thought would have to be given on how to review and update these costs into the future, including how to incorporate other costs into the index, such as driver costs. Thought would also need to be given to the frequency of both cost changes and model changes. Ola would not be supportive of frequent changes to the model and associated costs which would create uncertainty for consumers and the broader industry, including increased administration costs associated with frequency of reviews and changes to both the Commission and market players.

c. review of cost basket: using a new taxi cost index to assess how maximum fares should change

The biggest issue with this model is that reviewing current costs may create an outlier data set, given the impact of COVID-19 on the industry and costs. For example, it may set the maximum fare at a level which is suitable for this period in time, while not addressing any increases in costs when the economy returns to its new normal following the pandemic.

Committing to a review post-COVID-19 or at appropriate points of time, may also create ongoing administrative and financial burdens for both the Commission and market players, which ultimately would be passed on to consumers. This is not supported by Ola and may go against the intention of the Commission's governing legislation.

With all of this in mind, it is also worth noting the complexity and administration burden of reviewing these items, especially driver costs and changes in technology which were not included in the previous review and cost index. This is likely to take a significant amount of time and resourcing to complete, which we would not recommend given the cost.

d. keeping fares unchanged

Given the impact of COVID-19 on the industry and broader economy this is the simplest and easiest way forward. Costs listed in the cost basket may have fallen during this period, which would fit the theory of the above listed models, however it should be noted that sales have also decreased which has had a huge impact on company balance sheets.

So while costs may have fallen in some areas, demand and sales must also be considered to evaluate the true cost of running these businesses, including driver costs and time, which may not be adequately accounted for in the cost basket.

Again, Ola would recommend removing the maximum fares to allow taxis to charge what they need to recover their costs - as noted in the first model above - at least until the market recovers.

e. varying fares by CPI: using changes in the consumer price index as a proxy for changes in the cost of providing taxi services

This would be Ola's preferred option out of those presented in the paper, especially given the low complexity and administration burdens for the Commission. CPI should account for changes in costs and the broader state of the economy, including during the pandemic. The two year dataset should smooth out peaks and troughs in the index. As with the above models, thought should be given to the frequency of reviews and changes to consider the impact on prices and administration costs for operators, and to assist consumers in comparing offerings across the market.

f. other approaches: we are open to considering the use of other approaches for assessing maximum fares.

As noted in the first and fourth models above, Ola recommends the Commission abolish the maximum fare rules for rank and hail. This model would allow taxis to charge what they believe is the fair price to cover their costs, including on rank and other operating costs. While there is a risk these fares would increase, consumer choice will drive competitive pricing, including through alternate services such as booked services.

Wheelchair and accessible taxis would be the exception to this which should be set using CPI. Additionally, this model should only be used in metropolitan and urban areas where there are higher levels of competition, and alternatives including public transport and booked services.

2. What developments in the commercial passenger vehicle industry should we consider in setting maximum fares (particularly since the last review)?

As noted in the comments above, Ola strongly believes that any model and subsequent reviews of that model should take note of the administrative burdens placed on companies in consulting then preparing for changes, as well as actually making the changes. These administrative burdens are also borne by the Commission.

These burdens, system complexity and frequent changes add to costs within the system. These costs are ultimately borne by Victorian consumers through direct fees, passing on fees and in taxes/levies. Changes in fares may also cause confusion and difficulty for consumers who are faced with changing costs they have not budgeted for which we strongly discourage.

Finally, COVID-19 is continuing to play a role in shaping our economy. The Commission needs to consider not only the impact of higher costs on a strained economy, struggling businesses in a downturned industry and the wallets of consumers, but also the shape of the industry coming out of this crisis. It may be the case that the industry and consumer expectations are vastly different in only a matter of months.

3. What do you think about the implementation of 'time and distance' tariff since the previous review? Should we remove 'time or distance tariffs' and require the use of 'time and distance tariffs'?

The implementation of time and distance tariffs gives consumers some certainty in comparing offers across the industry and in predicting costs of their trips. Ola is supportive of this measure being implemented for unbooked taxi fares and of the removal of time or distance tariffs.

However, we remain supportive of lowering regulation across the industry to allow the market to set prices through consumer choice and expectations. Increasing competition and lower regulation will allow the industry players to determine their own fees and charges, while being constrained by consumer demand. It would also ease the cost and administrative burdens on the Commission, regulators and ultimately Victorian consumers.