



# TAXI FARE REVIEW 2016

Final Report

June 2016



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Essential Services Commission 2016, Taxi Fare Review 2016 Final Report, June 2016

# GLOSSARY

|  |   |
|--|---|
| <b>Commercial Passenger Vehicle</b>      | Any motor vehicle used or intended to be used for carrying passengers for hire or reward, excluding a bus used to provide a bus service.  |
| <b>Day tariff</b>                        | The maximum tariff rates applicable from 9am to 5pm.  |
| <b>Distance rate</b>                     | A fare component that is a fee per kilometre travelled. In current taxi fares the distance rate applies when travelling over 21 kilometres per hour   |
| <b>Flagfall</b>                          | A fare component that is a fixed fee charged regardless of the distance travelled or journey time.  |
| <b>High occupancy</b>                    | The carriage of five or more passengers at a time in a commercial passenger vehicle   |
| <b>Metropolitan zone</b>                 | Referred to in legislation as the ‘Melbourne metropolitan zone’, the taxi zone comprising key areas of metropolitan Melbourne (see Taxi Services Commission website for zone maps).   |
| <b>Multi Purpose Taxi Program (MPTP)</b> | A government program that subsidises taxi fares for people with severe and permanent disabilities. MPTP members receive a 50 per cent subsidy on taxi fares up to a maximum of \$60 per trip and \$2180 per year. Some MPTP members, for example those using wheelchairs, are exempt from the annual cap. |

|                                |  |
|--------------------------------|--|
| <b>Overnight tariff</b>        | The maximum tariff rates applicable from 5pm to 9am (excluding the peak tariff period).  |
| <b>Peak tariff</b>             | 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.  |
| <b>Pre-booked market</b>       | The market for commercial passenger vehicle services whereby customers book the service prior to travel.   |
| <b>Rank and hail market</b>    | A sub market of the market for commercial passenger vehicle services, whereby services are procured either from taxi ranks or hailed from the street. The rank and hail market is serviced exclusively by taxis.   |
| <b>Smartphone booking apps</b> | Smartphone booking applications that connect taxi drivers with taxi passengers through a booking interface. Some smartphone apps include both booking and payment processing functionality. App providers include GoCatch, Ingogo, Uber, 13CABS, Silver Top Taxis and CabIT. |
| <b>Taxi Industry Inquiry</b>   | An inquiry into the taxi and hire car industry established by the Victorian Government in March 2011. The inquiry provided its final report and recommendations to the government in September 2012.   |
| <b>Taxi network</b>            | A provider of taxi booking and dispatch services, connecting passengers with taxi drivers through a booking service.   |
| <b>Taxi operator</b>           | A person who owns, maintains and operates a taxi vehicle. A taxi operator must source a taxi licence in order to be permitted to operate a taxi. A taxi operator may engage a taxi driver for their vehicle or they may drive the taxi themselves.                           |

|   |  |
|---|--|
| <b>Taxi Services Commission (TSC)</b>   | The TSC is responsible for regulation of the commercial passenger vehicle industry. The TSC was established on 1 July 2013 as the independent industry regulator as part of the Taxi Industry Inquiry’s recommended reforms.                               |
| <b>Taximeter</b>                        | A device required in all taxis to calculate and display taxi fares. The Taxi Services Commission is responsible for specifying the functional requirements of taximeters.  |
| <b>The Commission</b>                   | The Essential Services Commission (ESC) — Victoria’s independent economic regulator of certain prescribed services as determined by the Victorian Government. The Commission is responsible for setting maximum fares in the metropolitan and urban zones. |
| <b>Urban zone</b>                       | Referred to in legislation as ‘the urban and large regional zone’, the taxi zone comprising of Geelong, Ballarat, Bendigo, Frankston, Dandenong and the Mornington Peninsula (see Taxi Services Commission website for zone maps).                         |
| <b>Waiting time rate</b>                | A fare component that is a minimum charge per minute. In current taxi fares the waiting time rate applies when travelling at 21 kilometres per hour or slower (also referred to as the ‘time rate’).   |
| <b>Wheelchair Accessible Taxi (WAT)</b> | Taxis with WAT licences are designed to transport people in wheelchairs. WATs may also operate as high occupancy vehicles that can carry up to 11 passengers when not carrying people in wheelchairs.  |

# ACRONYMS

|             |                               |
|-------------|-------------------------------|
| <b>ESC</b>  | Essential Services Commission |
| <b>HOV</b>  | High occupancy vehicle        |
| <b>MPTP</b> | Multi Purpose Taxi Program    |
| <b>TII</b>  | Taxi Industry Inquiry         |
| <b>TSC</b>  | Taxi Services Commission      |
| <b>WAT</b>  | Wheelchair accessible taxi    |
| <b>VTA</b>  | Victorian Taxi Association    |

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# ABOUT THIS REVIEW

## ABOUT THIS REVIEW

The Essential Services Commission (the Commission) is the independent economic regulator responsible for determining the maximum taxi fares that can be charged in the Melbourne metropolitan taxi zone (the metropolitan zone) and the urban and large regional taxi zone (the urban zone).

We are required by legislation to review maximum taxi fares within two years of making a determination. Our last determination was made on 19 June 2014 and took effect on 1 July 2014. We are therefore required to complete this review by 19 June 2016.

This report sets out the Commission's final decision on its review of maximum taxi fares. In association with this report we will issue a new taxi fare determination and schedule of taxi hiring rates to become effective on 1 July 2016.

## SUMMARY OF REVIEW PROCESS

The Commission has conducted a public review process by releasing a consultation paper, inviting submissions on that consultation paper, releasing a draft report, and seeking feedback and submissions on that draft report.

We have consulted widely as part of this review by meeting with taxi networks, taxi operators and taxi drivers as well as the Victorian Taxi Association, Victorian Taxi and Hire Car Families, the Taxi Services Commission and policy makers from the transport policy, regulation and reform group within the Department of Economic Development, Jobs, Transport and Resources. We thank all those parties who contributed to this review and for their time in meeting with us.

We received 18 submissions to our draft report. We hosted an industry breakfast briefing on our draft report proposals for relevant representatives from the Taxi and

Hire Car Industry Ministerial Forum and also held a public forum to discuss the draft report recommendations with stakeholders and to listen to their views.

Table 1 provide a summary of the timelines for this review.

**TABLE 1 REVIEW PROCESS**

| <b>Activity</b>                                 | <b>Timing</b>    |
|---|------------------|
| Consultation paper released                     | 15 December 2015 |
| Submissions to consultation paper close         | 1 February 2016  |
| Industry breakfast briefing                     | 3 May 2016       |
| Draft report released                           | 3 May 2016       |
| Submissions to draft report close               | 23 May 2016      |
| Public Forum                                    | 27 May 2016      |
| Final report release                            | 17 June 2016     |
| Fare determination (new fares become effective) | 1 July 2016      |

## **STRUCTURE OF THIS FINAL REPORT**

In this final report, we outline our final decisions in relation to our review of maximum taxi fares.

We have not sought to replicate the detailed analysis contained in our draft report, which is comprised of two volumes as follows:

- Volume 1 summarised our draft decisions on maximum taxi fares and the key findings of our review.
- Volume 2 provided the detailed analysis of maximum taxi fares underpinning our draft decisions, as well as broader discussion of other matters on which we sought input from stakeholders. Volume 2 also included appendices with further detail on our analysis and other material supporting our review.

These two volumes are available on the Commission’s website at [www.esc.vic.gov.au](http://www.esc.vic.gov.au)

In this final report, where required, we refer the reader to our draft report for more details on particular aspects of our analysis and evidence.

This final report is structured as follows:

- Chapter 1 is an introduction to the final report and provides background information on our approach to taxi fare regulation in the current environment
- Chapter 2 provides our final decisions on maximum taxi fares for the metropolitan zone
- Chapter 3 provides our final decisions on maximum taxi fares for the urban zone
- Chapter 4 provides further analysis on other matters (including airports fees and fares, more flexible taxi fares and fares for wheelchair trips)
- Appendices outline the legislative background to this review and a list of submissions to our draft report.

Questions about this 2016 taxi fare final report may be directed to Dominic L’Huillier, Director, Transport Branch on 03 9032 1365; or Tim Bryant, Project Manager on 03 9032 1405

# OUR FINAL DECISION

The Commission released a draft report on its review of maximum taxi fares for the metropolitan and urban zones on 3 May 2016. We made a number of draft decisions on changes to maximum taxi fares in that report, which we have since consulted on.

Table 1 and Table 2 summarise our draft decisions for the metropolitan and urban zones, and our final decisions on each. Our final decisions follow consideration of stakeholder feedback on our draft report.

**In summary, our final decision is to leave maximum taxi fares in the metropolitan zone unchanged, and to proceed with all of our draft decisions for maximum taxi fares in the urban zone.**

**TABLE 1 METROPOLITAN ZONE DRAFT AND FINAL DECISIONS**

| Draft Decision  | Final Decision |
|---|----------------|
| 1. No change to the current level of maximum fares outside peak tariff periods.   | Unchanged      |
| 2. Peak tariff rates would apply as maximum fares from 7pm on Friday and Saturday nights until 4am the following morning (instead of from 10pm to 4am currently).                                       | Not proceeding |
| 3. Peak tariff rates would apply as maximum fares from 7pm <b><u>on the evenings prior to</u></b> all public holidays until 4am on the morning immediately following.                                   | Not proceeding |
| 4. Peak tariff rates would continue to apply as maximum fares all day Christmas Day and Boxing Day, from 6pm on New Year's Eve and all day New Year's Day (but not after 4am on other public holidays). | Unchanged      |
| 5. No change to current maximum charges for existing peak tariff fare components (flagfall, distance rate, waiting time rate, booking fee or other extras).   | Unchanged      |

|  |                |
|--|----------------|
| 6. A new 'maximum peak booking charge', capped at a maximum of \$10, could be charged subject to the following conditions:<br>a) only for booked taxi trips commencing during times when peak tariff rates apply as maximum fares<br>b) at the time of booking, passengers must be informed of a peak booking charge, given the choice to accept or withdraw the booking, and given confirmation of any charge accepted. | Not proceeding |
|--|----------------|

**TABLE 2 URBAN ZONE DRAFT AND FINAL DECISIONS**

| <b>Draft Decision</b>   | <b>Final Decision</b> |
|---|-----------------------|
| 1. Maximum fares for the areas of Dandenong, Frankston and the Mornington Peninsula would continue to be consistent with maximum fares in the metropolitan zone.  | Unchanged             |
| 2. In Geelong, Ballarat and Bendigo, there would be no change to maximum fares outside periods when a late night fee or holiday rate may be charged.  | Unchanged             |
| 3. In Geelong, Ballarat and Bendigo, the period during which a late night fee may be charged would be from 7pm on Fridays and Saturdays to 6am on the morning immediately following; and from midnight to 6am on all other days (instead of from midnight to 6am on all days currently). The maximum charge for a late night fee would remain capped at \$3.40. | Unchanged             |
| 4. In Geelong, Ballarat and Bendigo, the holiday rate would be able to be charged from 7pm <b><u>on the evenings prior to</u></b> all public holidays, until 6am on the morning immediately following. The maximum charge for a holiday rate will remain capped at \$4.20.  | Unchanged             |
| 5. In Geelong, Ballarat and Bendigo, the holiday rate of \$4.20 would continue to apply all day Christmas Day and Boxing Day, from 6pm on New Year's Eve and all day New Year's Day (but not after 6am on other public holidays).   | Unchanged             |

# 1 OUR APPROACH AND MARKET CONTEXT

This chapter summarises our approach to this review in the context of changes in industry regulation and developments in the commercial passenger vehicle market that have occurred since we last reviewed taxi fares.

## 1.1 OUR APPROACH TO REGULATING FARES IN THE CURRENT ENVIRONMENT

The market for commercial passenger vehicle services is undergoing fundamental changes. These developments have come about through industry reforms promoting a more open and competitive taxi and hire car industry; as well as more prevalent use of smartphones, which has led to greater substitutability between the service offerings of taxis and other commercial passenger vehicle services.

We explain below the effect of these developments on our approach to fare regulation.

### 1.1.1 INDUSTRY REFORMS

Major taxi and hire car reforms have been implemented by the Taxi Services Commission since our last fare review, following the recommendations of the Taxi Industry Inquiry. Many of the reforms have now been in effect for nearly two years. Reforms with particular relevance to this review include the following.

- Regulated taxi fares for the metropolitan and urban zones are now *maximum* taxi fares – meaning taxi service providers can discount below the regulated maximums we set.

- There is no longer a regulated limit on the number of taxi licences – the taxi market is now open to prospective entrants willing to pay annual fees of \$22 703 for a conventional taxi licence, or \$18 988 for a wheelchair accessible taxi licence.
- Hire cars are no longer required to meet luxury vehicle standards.

These reforms were aimed at promoting greater competition between taxi service providers, as well as greater competition between taxis and hire cars in the broader commercial passenger vehicle services market.

### **1.1.2 SMARTPHONE USE AND THE COMMERCIAL PASSENGER VEHICLE MARKET**

More prevalent use of smartphones is having a profound influence on the way taxis and other commercial passenger vehicles are commonly procured and paid for.

In the case of taxis, several smartphone apps allow passengers to book taxis, and provide options for payment of taxi fares through the app, which may be linked to a credit card or Paypal account. Smartphone technology has broadened the service offerings of traditional taxi booking networks and enabled the creation of new types of taxi booking networks.

Traditional taxi booking networks such as 13CABS and Silver Top Taxis have developed smartphone booking apps to complement their existing phone and internet booking services.

Additionally, ‘third party’ taxi booking networks such as GoCatch and Ingogo are now well established, offering taxi bookings exclusively through smartphone apps that can be readily downloaded and used by drivers and passengers.

A new taxi booking app jointly developed by taxi companies around Australia (iHail) is also likely to launch shortly, having recently received authorisation from the Australian Competition and Consumer Commission.<sup>1</sup>

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<sup>1</sup> ACCC 2016, *ihail Pty Ltd - Authorisation - A91501.22 March 2016*

Smartphone booking apps for other commercial passenger vehicles are also becoming more prevalent. Examples operating in Victoria include Uber and Rideboom, while GoCar and Shofer have recently entered the market in other Australian jurisdictions.

Through the use of GPS and mapping functionality in smartphones, booking apps for other commercial passenger vehicles are also able to calculate fares based on trip distance and travel time – similar to the way taximeters are used to calculate taxi fares.

Fares for other commercial passenger vehicle trips are not subject to fare regulation. Instead, providers of smartphone apps tend to develop their own fare offerings, which may be calculated and agreed in advance of the trip, or estimated in advance and calculated during the trip, with the smartphone's GPS tracking time and distance travelled.

These developments have made it easier to compare the price structure and service offerings of taxis and other commercial passenger vehicle services. For consumers, this means that other commercial passenger vehicle services are more viable alternatives to taxis. For taxi service providers, this means their service offerings in the commercial passenger vehicle market are subject to greater competitive pressure than ever before.

### **1.1.3 OUR APPROACH TO MAXIMUM FARE REGULATION FOR THIS REVIEW**

#### **WHY WE NO LONGER FOCUS SOLELY ON COSTS**

In past taxi fare reviews, a significant emphasis has been placed on estimating typical costs for taxi operators, and setting taxi fares at a level forecast to generate sufficient industry revenue to recover those costs. This cost of service approach is the standard approach to setting prices in monopoly settings and was possible when the taxi industry was comprised of a fixed number of operators and faced little competition from alternative service providers.

Prior to industry reforms implemented in 2014, the supply of taxis was controlled tightly through regulatory restrictions on the number of licences; and the demand for taxi trips appeared to grow consistently with underlying economic parameters (such as population growth). In such circumstances, it was possible to estimate taxi industry



revenue with a reasonable degree of confidence and adjust fares to account for changes in operating costs.

Since 2014, we have seen the increasing use of smartphones and associated technology accelerate the development of a more competitive commercial passenger vehicle services market, in which taxi services are one category of service offering. This means we can no longer reliably forecast taxi demand and taxi industry revenue.

In the final report of our 2014 taxi fare review, we signalled our intention to update our approach in the next fare review, anticipating the impending industry reforms promoting a more open and competitive market would necessitate consideration of much broader market outcomes than changes in costs<sup>2</sup>. By market outcomes we mean observing the balance between supply and demand for taxis at particular times and particular places.

Examining the balance of supply and demand for taxis at particular points of time helps inform us as to what should happen to maximum taxi fares — that is, whether they should go up, go down or stay the same.

## **AVOID IMPOSING BARRIERS TO COMPETITION**

As a consequence, our role as a fare regulator has evolved to ensuring that the maximum fares we determine do not impose barriers on the taxi industry's capacity to compete effectively in the broader commercial passenger vehicle market.

In this regard, we are conscious of the different consequences of setting maximum fares that are too high, compared to fares being set too low.

If supply exceeds demand, it suggests maximum fares are too high. The potential detriment of this is that consumers could pay more than they need to. However, this will only occur if competitive pressure does not lead to a response from taxi service providers, or competing services. This response might be to lower fares below regulated maximums, and/or improve service quality.

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<sup>2</sup> Essential Services Commission 2014, *Taxi Fare Review 2013-14 - Final Report*, March, p. 30.

In an increasingly competitive commercial passenger vehicle market, it is the responsibility of taxi service providers (rather than the taxi fare regulator) to respond to these circumstances by discounting fares, improving the services on offer, or both. Importantly, if taxi service providers do not move to respond to greater competition, alternative service providers will see an opportunity to enter the commercial passenger vehicle market and consumers can benefit from this development.

Conversely, if we set maximum fares too low, there may not be sufficient incentives for investment in taxi services. This could lead to an undersupply of taxis relative to consumer demand for taxis, or insufficient investment in service quality offerings that taxi passengers may value.

It is preventing this potential outcome — namely, that fare regulation restricts the scope of taxi service providers from being able to compete effectively in the commercial passenger vehicle market — that now serves as the main role for the Commission in reviewing maximum taxi fares.

In our draft decision, we reviewed market outcomes for taxis in the commercial passenger vehicle market since our last fare review. With this information, we sought to address areas where maximum fares may be changed to improve incentives for taxi service providers to compete effectively with price and service offerings valued by consumers.

## **1.2 THE MARKET OUTCOMES WE HAVE OBSERVED**

In our draft report, we highlighted the key market outcomes for taxis since our last review. This drew on the extensive taxi data for the metropolitan taxi zone provided to us by the Taxi Services Commission. We also analysed the available data for the urban zone.

This section summarises the key market outcomes described in Volume 2 of our draft report. Market outcomes are reviewed in terms of indicators of the demand for taxis, the supply of taxis, the quality of taxi services and the cost of providing these services.

### **1.2.1 TAXI FARES, SUPPLY AND SERVICE LEVELS**

Taxi fares were increased by approximately 12.5 per cent on average in May 2014 as a result of our 2014 taxi fare review. From June 2014, when regulated caps on taxi licence numbers were removed, the supply of on-road taxis in the metropolitan zone increased over the remainder of 2014.

With a greater supply of taxis, customer wait times improved and there was also evidence of some improvement in customer satisfaction levels in a customer satisfaction index reported by the Taxi Services Commission.

The most recent data showed that in the April to June quarter of 2015 the supply of on-road taxis in the metropolitan zone began to decrease, which was likely a response to declining demand for taxi trips.

### **1.2.2 DEMAND FOR TAXI TRIPS**

In the second half of 2014, there was a minor decline in demand for taxi trips in the metropolitan zone of one to two per cent, which may have been at least partially attributable to the May 2014 increase in taxi fares.

In the first half of 2015, we observed a significant and accelerating decline in the number of metropolitan taxi trips – a four per cent year on year decline in the January to March quarter, followed by a nine per cent year on year decline in the April to June quarter. Given this more marked decline in demand for taxis occurred over six months after the May 2014 fare increase, we conclude this outcome is most likely the result of competitive pressure from increasingly prevalent commercial passenger vehicle services that consumers are choosing as alternatives to taxis.

### **1.2.3 A REDUCTION IN OPERATIONAL COSTS**

Since we last reviewed fares in 2014, we have observed a reduction in cost indices representative of operational costs for taxis in the order of eight per cent. This is largely owing to lower LPG prices, which have fallen by 27 per cent in the Melbourne area since we last estimated a typical taxi operator's cost profile in March 2014. Similar reductions in LPG prices are apparent in regional areas of Victoria.

### **1.3 WHAT THESE MARKET OUTCOMES MEANT FOR OUR DRAFT DECISIONS**

In our draft report, we observed that the 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.

Given cost declines, we concluded that, on average, there should be sufficient scope within the current maximum taxi fares for taxi service providers to respond with competitive price and service offerings.

Our focus in the draft decisions and in this final decision is directed towards maximum fares during periods of peak demand in the metropolitan and urban zones, and improving flexibility for taxi service providers within the maximum fare regulatory regime.



## 2 MAXIMUM FARES FOR THE METROPOLITAN ZONE

This chapter summarises our final decision on maximum taxi fares for the metropolitan zone. We recap our draft decisions, summarise stakeholder feedback from our consultation process and outline our response and final decision.

### 2.1 THE COMMISSION'S DRAFT DECISIONS

In our draft report, we presented six draft decisions on maximum fares for the metropolitan zone. These were:

1. No change to the current level of maximum fares outside peak tariff periods.
2. Peak tariff rates would apply as maximum fares from 7pm on Friday and Saturday nights until 4am the following morning (instead of from 10pm to 4am currently).
3. Peak tariff rates would apply as maximum fares from 7pm **on the evenings prior to** all public holidays until 4am on the morning immediately following.
4. Peak tariff rates would continue to apply as maximum fares all day Christmas Day and Boxing Day, from 6pm on New Year's Eve and all day New Year's Day (but not after 4am on other public holidays).
5. No change to current maximum charges for existing peak tariff fare components (flagfall, distance rate, waiting time rate, booking fee or other extras).
6. A new 'maximum peak booking charge', capped at a maximum of \$10, could be charged subject to the following conditions:
  - a. The charge could only apply for booked taxi trips commencing during times when peak tariff rates apply as maximum fares

- b. at the time of booking, passengers must be informed of a peak booking charge, given the choice to accept or withdraw the booking, and given confirmation of any charge accepted.

The Commission indicated that before proceeding with the introduction of a peak booking charge, it would need to be satisfied from submissions that there was interest in the ability to apply a peak booking charge, and that it had the potential to improve outcomes for taxi passengers.

## **2.1.2 SUMMARY OF REASONS FOR THE DRAFT DECISIONS**

In this section, we briefly summarise our reasons for the draft decisions. Further details on the reasons outlined below are available in Volume 2 of the Commission's draft report.

### **NO CHANGE TO MAXIMUM FARES IN OFF-PEAK PERIODS**

With the exception of Friday and Saturday nights, the supply of taxis appears sufficient to meet consumer demand throughout the week. This suggests the level of maximum fares is not limiting taxi service providers from responding to greater competition in the market for commercial passenger vehicles at most times.

### **COMMENCING PEAK TARIFF MAXIMUM FARES EARLIER ON FRIDAY AND SATURDAY NIGHTS**

On Friday and Saturday nights, taxi demand begins to increase significantly from between 6pm and 7pm, while on Friday nights the number of taxis in operation begins to decline at around 7pm. This all occurs prior to the current peak tariff maximum fare period commencing at 10pm.

To encourage more taxi service providers to operate during peak times on Friday and Saturday nights, we proposed to commence the peak tariff maximum fare period earlier – from 7pm instead of from 10pm.

## **PEAK TARIFF MAXIMUM FARES ON THE NIGHTS PRIOR TO ALL PUBLIC HOLIDAYS**

Our analysis of taxi data indicates demand for taxis on the evenings before all public holidays exhibits similar patterns to that of Friday and Saturday night peak periods.

We therefore proposed that peak tariff rates would apply as maximum fares from 7pm on the nights prior to all public holidays, until 4am on the morning immediately following.

## **NO CHANGE TO CURRENT MAXIMUM FARES ON PUBLIC HOLIDAYS**

Currently, the peak tariff applies as the maximum fare all day Christmas Day, Boxing Day, from 6pm on New Year's Eve and all day New Year's Day. On other public holidays, the normal day and overnight tariff rates apply as maximum fares.

Our analysis indicated that the current level of maximum fares does not appear to be limiting taxi service providers from meeting taxi demand on public holidays. As such, we concluded no change to public holiday maximum fares was necessary. However, we proposed to retain the current maximum fare arrangements – whereby peak tariff maximum fares may be charged all day Christmas Day, Boxing Day, New Year's Eve from 6pm and all day New Year's Day.

## **A NEW MAXIMUM PEAK BOOKING CHARGE**

Our draft report analysis showed that demand for taxi trips declined most significantly during the overnight tariff period on weekday nights and during the peak tariff period on Friday and Saturday nights.

We concluded that the reductions were most likely attributable to consumers switching to alternative commercial passenger vehicle services – that is, services that are booked. As such, we proposed enabling greater flexibility for booked taxis to compete with other booked commercial passenger vehicles.

The Commission's view was that greater price flexibility would be most beneficial during the peak Friday and Saturday night periods, when demand for taxis exceeds supply. At these times in particular, we concluded greater taxi availability and reliability would be valued by consumers.



On Friday and Saturday nights, the high demand for taxi trips is likely to be affecting the reliability of taxi booking services. This is supported by evidence from the Taxi Industry Inquiry, indicating that customers have difficulties in booking taxis with traditional taxi networks during peak times, with calls often going unanswered.<sup>3</sup> Further, in 2014-15 the proportion of taxi trips that were booked during peak periods was low relative to other periods (15 per cent in the peak period, compared with 39 per cent during the day period), which may be reflective of consumers continuing to face difficulties in booking taxis at peak times.

With greater competition in the market for booking services, and advances in smartphone technology driving new and innovative booking methods, we considered there was merit in allowing for a 'maximum peak booking charge'.

The intention of allowing this charge was two-fold: (1) to improve incentives for taxis to operate during peak times; and (2) to improve incentives for greater taxi booking reliability during peak times through new and innovative service offerings that consumers may value.

Our proposal was that the peak booking charge would be capped at a maximum of up to \$10. It would only apply to booked taxi trips commencing during times when the peak tariff maximum fares apply. It would not apply to rank and hail taxi trips. The charge would be separate to the standard maximum \$2 booking fee (that is, it may apply in addition to a booking fee), but would be subject to additional conditions of information provision for consumers at the time of booking. At the time of booking, passengers would have to be informed of the charge offered by the booking network, given the choice to accept or withdraw the booking and given confirmation of the charge accepted.

One option we envisaged was that taxi booking networks would set a charge within the maximum cap of \$10. Booking networks could include traditional networks, smartphone taxi booking app providers or any potential new types of network business models. These networks could choose to vary the fee within the bounds of the maximum charge, perhaps in response to supply and demand conditions. The charge could also

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<sup>3</sup> Victorian Taxi Industry Inquiry 2012, *Final Report – Customers First: Service, Safety, Choice*, September, p. 43.

conceivably be offered as payment for booking guarantees or other types of service offerings consumers may value during these peak times. We indicated that we would not expect that networks would automatically set their charge at the maximum of \$10.

Given the intentions of the fee, and some uncertainty about how it could be effectively implemented, we sought feedback and submissions on how taxi service providers might implement such a charge, and on the potential for improved outcomes for taxi passengers. We made clear this draft decision was conditional on the Commission being satisfied by stakeholders that consumers would be the ultimate beneficiaries.

## **2.2 STAKEHOLDER VIEWS AND THE COMMISSION'S RESPONSES**

We received a number of submissions relating to our draft decisions for the metropolitan zone. In addition, we sought feedback through meetings with stakeholders during the consultation period and held a public forum to canvass stakeholder views.

In this section, we report the views of stakeholders, and then analyse and respond to submissions. Where relevant, we indicate our final decision.

### **2.2.1 REGULATING FARES IN THE CURRENT ENVIRONMENT**

#### **STAKEHOLDER COMMENTS**

In our meetings with stakeholders, and during the public forum, many stakeholders expressed concern over the timing of this review, particularly in the context of the Victorian Government considering broader changes to the regulatory framework for commercial passenger vehicles. In this context, many were of the view that making no changes to the current maximum fares would be a desirable outcome for this review.

A number of submissions to our draft report commented on issues of taxi fare regulation more broadly, in particular with some expressing a desire for various degrees of deregulation, or at least less restrictiveness in the current maximum fares.

Taxicorp submitted that pre-booked fares should be deregulated:

*“It is as clear as day turning into night that complete deregulation of all pre-booked pricing is required to allow taxi services to also provide dynamic pricing in line with the prevailing supply/demand for taxi services.”<sup>4</sup>*

The Victorian Taxi Association (VTA) submitted that significant change to taxi industry regulation (including fare regulation) is required given the development of external competition.

*“...the most significant shift that has occurred is the existence of genuine external competition, reducing the need for Government intervention. Much of the existing regulation, including fare regulation, is premised on the notion that there was a lack of external competition to taxi services.”<sup>5</sup>*

Some submissions, including by the VTA, recognised that the ‘seismic shift’ in the industry did not mean that fares should be deregulated immediately:

*The VTA needs to emphasise that we have made it clear to Government that the shift from a regulated to a market driven price is a significant change for both the industry and consumers to come to terms with. It is not something that can simply be done overnight. As a result we have argued for the retention of an ESC determination of fares for 3-5 years to allow the industry and customers to adjust.<sup>6</sup>*

The Taxi Services Commission (TSC) suggested that consumers would be better served by the ESC effectively giving taxi service providers responsibility for setting their own fares, arguing competition in the commercial passenger vehicle market is now sufficient to keep fares low.

*“...the ESC proposes to continue to exert a level of control over prices for commercial passenger vehicle services that, in the opinion of the commission, is not in the long-term interests of consumers...Competition*

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<sup>4</sup> Taxicorp Pty Ltd 2016, *Submission to the Draft Report*, 23 May, p. 1

<sup>5</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, pp. 1-2

<sup>6</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 3.

*in the commercial passenger vehicle is now sufficient for the ESC to accede responsibility for setting prices to service providers.”<sup>7</sup>*

The TSC suggested this could be achieved by setting a single fare structure with maximum rates set sufficiently high to allow flexibility for taxi service providers to set different types of fares within these maximums.<sup>8</sup> The TSC suggested an example of such a maximum fare structure could be a flagfall of \$7.50, distance rate of \$2.50 per kilometre and a time rate of \$1 per minute, with no prescription on when and how each of these rates must be applied to different types of trips.<sup>9</sup>

The TSC saw the advantages of such an approach as being that it would allow or encourage some of the kinds of fare flexibility addressed by the Commission in the draft report (such as fixed fares and hybrid fare structures), without requiring a high level of prescription.

## **COMMISSION RESPONSE**

### **Timing of the review**

As noted in our draft report, and as generally recognised in submissions, the timing of this review is not discretionary – we are required by legislation to complete the review by 19 June 2016.

### **Deregulation of taxi fares**

As also recognised in most submissions, the Commission is not in a position under the current legislation to implement fare deregulation by removing maximum taxi fares. Consequently, we do not respond specifically to comments regarding forms of fare deregulation in submissions.

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<sup>7</sup> Taxi Services Commission 2016, *Submission to the Draft Report*, 25 May, p. 1.

<sup>8</sup> Taxi Services Commission 2016, *Submission to the Draft Report*, 25 May, pp. 2-3.

<sup>9</sup> Taxi Services Commission 2016, *Submission to the Draft Report*, 25 May, pp. 2-3.

## **The risks of maximum fares being set too high or too low**

In our draft report, we explained that the consequences of setting maximum fares too low are potentially greater than setting maximum fares too high in the current environment where greater competition is emerging. We noted that, where we observe market outcomes that suggest taxi fares may be too high, our preference would be to draw attention to these outcomes rather than to force fare reductions through regulatory means. This would enable scope for taxi service providers to respond to competition by either discounting below the existing maximum fares, or improving service quality.

We also noted that we would seek to ensure maximum fares were not limiting taxi service providers where our analysis showed fares might be too low. Through this approach, we sought to make targeted adjustments to ensure maximum fares were not preventing taxi service providers from responding to emerging competition. Accordingly, we only proposed adjustments to maximum fares on Friday and Saturday nights where we observed high demand for taxis relative to taxi supply.

Our approach did not suggest that raising fares would be desirable if there was no evidence that the current level of maximum fares was limiting taxi service providers.

While we agree that some greater fare flexibility would be desirable to improve taxi service providers' options for competing with new commercial service providers, our view is that the TSC's suggested approach ignores some fundamental characteristics of the taxi market – in particular, the market features that can limit the effectiveness of competition in keeping prices low for consumers.

There are risks in simply raising all taxi fares without considering the range of impediments to effective fare competition. These are particularly evident for taxi trips procured from taxi ranks or when taxis are hailed from the street. In these cases, consumers are restricted in their ability to assess offers, negotiate fares or choose between different taxis' offerings. Opportunities for individual taxis to build a good reputation and secure repeat business can be limited in these situations. As a result, market pressure and short term incentives for individual taxis to compete on price or service quality in the rank and hail market are not as strong as in the pre-booked market.

Greater emerging competition from pre-booked commercial passenger vehicle services provides more pressure on rank and hail taxi fares and service offerings than has occurred historically. However, it is not clear at this time that such competition would be sufficiently effective to keep fares low for consumers at all times, particularly in the rank and hail taxi market.

Our primary concern is that the higher rates could be adopted as standard for rank and hail taxis to the detriment of the vast majority of taxi passengers that make trips during off-peak times. This concern is supported by the fact that we have not observed any widespread or sustained examples of taxis discounting below the current maximum fares, despite pressure from external competition.

## 2.2.2 NO CHANGES TO OFF-PEAK MAXIMUM FARES

### STAKEHOLDER COMMENTS

Stakeholder views were mixed on the need to change maximum fares in times outside of peak periods. A number of stakeholders expressed a desire for no changes to the current maximum fares, while two submissions argued for changes to fares outside peak times.

As noted, the Taxi Services Commission argued that a “moderate” increase in the maximum fare should occur, accompanied by a single, simple maximum fare structure. It further noted that it was not aware of any evidence that would support *lower* maximum fares on weekdays compared to those allowed on Friday and Saturday nights.<sup>10</sup>

Gilliver, a taxi operator and driver, argued that fares should be increased by CPI over the last two years because the Commission’s proposal meant that fares had not kept pace with CPI:

*In reality, the Bureau of Statistics reveals that total CPI has increased by 25% approximately for the same 10 year period. I am therefore 16.4%*

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<sup>10</sup> Taxi Services Commission 2016, *Submission to the Draft Report*, 25 May, p. 1.

*worse off than employed Australians who enjoy wage and salary increases on an annual basis. My only source of a pay increase is from the ESC, as it is you and you alone, that determines what I can charge for my service. Your recommendation of no change to taxi fares is simply unacceptable.*<sup>11</sup>

## **COMMISSION RESPONSE**

In Volume 2 of our draft report, we observed that fares charged by taxi service providers on weekday nights have remained at the maximum levels, despite evidence of competitive pressure on those prices.<sup>12</sup> This evidence supports the continuation of time dependent maximum fares, despite the TSC's suggestion that maximum fares on weekdays need not be lower than on Friday and Saturday nights.

As already noted, the Commission considers that risks remain in relying on competitive discounting to keep taxi fares low for consumers outside peak times, most notably for taxis procured in the rank and hail market. There has been no evidence of sustained or widespread discounting to date. We are hopeful this will change, particularly once modern fare device (i.e. taximeter) specifications are finalised by the TSC.

In relation to Gilliver's submission suggesting taxi fares should reflect CPI increases, our approach in this review has been to take account of broader market outcomes rather than changes in costs. By market outcomes, we mean observing the balance between supply and demand for taxis at particular times and particular places. Nonetheless, we have also examined changes in costs for taxi operators using a cost index approach, which was explained in Appendix D to Volume 2 of our draft report.

Both the analysis of market outcomes and of costs suggested that there was little pressure in the short term for taxi fares to rise on average.

In our cost analysis, the Commission has found that costs for key inputs into taxi operation have fallen overall, largely as a result of lower fuel prices. For this reason, increasing fare maximums due to increases in the general price level in the economy

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<sup>11</sup> Greg Gilliver 2016, *Submission to the Draft Report*, 5 May, p. 1.

<sup>12</sup> Essential Services Commission 2016, *Taxi Fare Review 2016 Draft Report Volume 2 – Our Review*, May, pp. 57-58.

(as measured by CPI) without any allowance for changes in taxi specific costs, or changes in the productivity of taxi services, would be inconsistent with setting fares to promote efficient provision and use of taxi services.

### **FINAL DECISION – METROPOLITAN ZONE**

- **No change to the current off-peak maximum fare rates**

## **2.2.3 PEAK TARIFF MAXIMUM FARES FROM 7PM ON FRIDAY AND SATURDAY NIGHTS**

### **STAKEHOLDER COMMENTS**

There was a mixed reaction from stakeholders to the proposed change to the timing of peak tariff rates.

Some submissions, including the VTA's, supported the change to timing.<sup>13</sup>

The TSC suggested that its proposal for a single higher maximum tariff to apply at all times would better serve consumers' interests. It referred to its own analysis that customer waiting times for taxis on weekday afternoons were longer than those the ESC is trying to address by starting the peak tariff at 7pm on Fridays and Saturdays.<sup>14</sup>

In our stakeholder meetings and at the public forum, the Victorian Taxi and Hire Car Families did not support the proposed change on the basis that higher fares earlier in the evening would be detrimental to family groups catching taxis at these times.

At the public forum, further concern was raised by most stakeholders that the additional financial incentive was relatively insignificant and would not have the Commission's intended effect of inducing more taxis to operate at these times. Taxi operators noted difficulty in sourcing drivers for a range of reasons that may not be easily addressed through adjustments to fares. In particular, operators suggested the requirement for

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<sup>13</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p.4.  
Greg Gilliver 2016, *Submission to the Draft Report*, 5 May, p.2.  
David Brumby 2016, *Submission to the Draft Report*, 23 May, p.1.

<sup>14</sup> Taxi Services Commission 2016, *Submission to the Draft Report*, 25 May, p. 2.



taxi drivers to pass the Knowledge Test was resulting in many potential taxi drivers choosing to drive on the UberX platform instead. Stakeholders also noted that many drivers and operators prefer not to operate on Friday and Saturday nights due to risks of unsociable passenger behaviour and damage to the vehicle.

## **COMMISSION RESPONSE**

Analysis of taxi data such as the customer wait time chart presented in the TSC's submission requires careful and considered interpretation. While the median wait times the TSC refers to appear to suggest customer wait times on weekday afternoons are similar to Friday and Saturday nights, this does not provide the full picture of taxi availability at these times. Customer wait time data do not include instances where taxi bookings are not fulfilled. As a result, bookings that are never accepted by drivers, or that go unanswered by call centres, are not accounted for in the data. In our draft report, we pointed to evidence of booking reliability issues on Friday and Saturday nights, which suggests that customer wait times are understated on Friday and Saturday nights. Further, the high customer wait times on weekday afternoons referred to in the TSC's submission are more likely a function of driver shift changeover times, rather than of fares being too low.

For these reasons, the analysis in our draft report relied on a number of other measures such as taxi trips versus taxi numbers and occupancy rates to inform our understanding of supply and demand conditions across the week. These measures clearly show Friday and Saturday nights are uniquely busy periods for taxis.

Analysis presented in our draft report highlighted that taxi demand increases significantly between 6pm and 7pm on Friday and Saturday nights, while on Friday nights the number of taxis in operation begins to decline at around 7pm. Our proposal to bring forward the commencement of the peak tariff period to 7pm was intended to address an imbalance in the supply of and demand for taxis by inducing more taxis onto the road.

While our analysis is useful to detect supply and demand imbalances, it does not tell us how large the changes in fares would need to be to correct any perceived imbalance. Consultations have revealed significant concern among stakeholders that the proposed change would not induce the desired behavioural change among drivers – that is, it may not result in more taxis on the road at peak times. If that is the case, the primary

impact of the higher fares at these times could simply be that consumers pay more without benefiting from improved taxi availability.

To explore the validity of some of these concerns, we undertook further analysis of the taxi driver shift patterns on Friday and Saturday nights. There is some evidence from shift durations that, due to established behavioural characteristics of taxi driver shifts, there is some uncertainty as to whether commencing the peak tariff earlier from 7pm would result in a desirable outcome.

Taxi shift data indicate that many drivers who currently end their shift between 7pm and 10pm on Friday nights began their shift as long as 14 hours earlier. The Commission does not wish to encourage excessive driving time. This suggests that to achieve greater availability of taxis at peak times there would need to be a fundamental change in both the start and end times of many drivers' shift to avoid excessive driver shift lengths.

On balance, given the mixed stakeholder feedback on this proposal and remaining uncertainty as to whether commencing the peak tariff earlier would have the intended effect of inducing greater taxi supply (that is, better service for customers), the Commission has decided not to proceed with its draft decision to bring the peak period forward from 10pm to 7pm.

## **FINAL DECISION – METROPOLITAN ZONE**

- **No change to the current timing of the peak tariff period maximum fares**

### **2.2.4 MAXIMUM PEAK BOOKING CHARGE**

#### **STAKEHOLDER COMMENTS**

The conditional proposal to allow a maximum peak booking charge generated significant comment from stakeholders. Views on its merit were mixed, including some strong opposition to the idea and some apparent misconception of its details.

Those in favour of the charge pointed towards its usefulness as a step towards a greater deregulation of fares for pre-booked vehicles:

*The \$10 maximum peak booking charge proposal is sound in principle where a cap on pre-booked fares exists. However, we advocate a complete removal of the cap on pre-booked fares.<sup>15</sup>*

The Victorian Taxi Association was in favour of the proposal. However, it submitted that the implementation should be left to the market and that its support was on the condition that networks would be responsible for setting the level of the charge:

*If, as argued, it is designed to allow taxi companies to better match supply and demand and act as an incentive for drivers to be out on the roads, should it not be left to the very companies with the information available to achieve this to make decisions as to when this needs to be applied?*

*The VTA agrees and wants to confirm our view that this [the network] is the only level at which the objectives of the recommendation can be met, namely that supply and demand can be better equated, that incentives can be created for drivers to be on the road and that passengers can be informed about the implications at the time of booking.<sup>16</sup>*

Further arguments for extending the charge to *non-peak* times included that it would promote better servicing of short fares in the suburbs:

*Empowering the consumer to bid up a fare if a taxi has to travel longer distances to pick up is a fairer way to charge rather than imposing an arbitrary peak charge on the consumers. This facility of consumer empowerment needs to be provided at any time a taxi is pre-booked, not just at peak periods.<sup>17</sup>*

Those against the introduction of the charge argued that it would make taxi fares uncompetitive in the face of increasing competition from commercial passenger vehicle

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<sup>15</sup> Taxicorp Pty Ltd 2016, *Submission to the Draft Report*, 23 May, p. 1.

<sup>16</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p.3

<sup>17</sup> Taxicorp Pty Ltd 2016, *Submission to the Draft Report*, 23 May, p. 1.

services.<sup>18</sup> Further concern about the possible effects of such a charge was expressed at the Commission’s public forum by a number of stakeholders. In particular, the position was put that the proposed peak charge would not be large enough to be effective in inducing greater taxi availability at these times.

In our meetings with stakeholders, and at the public forum, some stakeholders expressed doubt about the ability of networks to provide better services, such as booking guarantees. Some suggested that a booking cancellation fee would be a more effective way of improving the reliability of taxi bookings. Stakeholders indicated a key issue affecting reliability is that at peak times some passengers book taxis with multiple networks and then take the first taxi that arrives. As a result, drivers can be reluctant to service bookings at peak times for fear of turning up to the booking location and there being no passenger.

## **COMMISSION RESPONSE**

The Commission remains of the view that the proposed charge has merit, in that it has potential to allow service providers greater flexibility to offer better and more reliable services, particularly at peak times.

Further, the opposition that the proposal has received from some parties has perhaps been due to a misunderstanding of our proposal. The Commission made it clear in the draft decision that the charge was for ‘up to’ \$10, and that it would be expected that consumers would receive something in return for such a payment – such as a guaranteed booking. Service providers would be under no obligation to charge the \$10 in full or in part. No charge could be applied for rank and hail taxis. Despite our best efforts to communicate this in our draft report, fact sheets, media release and consultations, a view emerged that the \$10 peak booking charge would be applied in full for all trips.

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<sup>18</sup> David Brumby 2016, *Submission to the Draft Report*, 23 May, p. 2  
Greg Gilliver 2016, *Submission to the Draft Report*, 5 May, p. 2.  
Meeting note, Victorian Taxi and Hire Car Families, May 2016.

The Commission noted that it would only proceed with its draft decision if it could be convinced by stakeholders that there was interest in the ability to apply a peak booking charge, and that it had the potential to improve outcomes for taxi passengers.

The Commission notes that support for the proposed change has not been widespread, nor have we received any proposals which outline how consumers would be likely to be better off from the introduction of such a charge. For example, no service providers have indicated that such a fee would be sufficient to increase the reliability of bookings at peak times, or how such a fee could be effectively communicated to passengers.

In the absence of stronger industry support and practical examples of implementation benefits, the Commission is concerned that the benefits of the change would be outweighed by the costs. The costs include the negative perception that 'all fares would rise' without any improvement in service quality, which may encourage unwarranted switching to alternative services.

Our final decision is therefore not to proceed with the introduction of a maximum peak booking charge at this time. The Commission is, however, prepared to re-examine the merits of this idea and other forms of greater fare flexibility if there is a change in the regulatory or commercial environment, such that there are greater prospects of widespread service provider support and consumer benefit.

## **FINAL DECISION – METROPOLITAN ZONE**

- **A maximum peak booking charge will not be introduced at this time**

### **2.2.5 PEAK TARIFF MAXIMUM FARES ON THE NIGHTS PRIOR TO PUBLIC HOLIDAYS**

#### **STAKEHOLDER COMMENTS**

The majority of submissions from stakeholders did not directly comment on taxi fares for public holidays. However, the stakeholders that did comment on our draft decision on public holiday fares expressed support for our proposed approach.

The VTA supported the proposal but did not provide any specific commentary.<sup>19</sup>

Gilliver suggested that peak tariff rates should apply on all public holidays, in addition to the evenings prior to public holidays.<sup>20</sup>

## **COMMISSION RESPONSE**

The Commission's analysis suggested that changes to bring forward the higher peak charges to the night before public holidays would promote a better balance of supply and demand at these times.

Given the support in submissions for this proposal, the Commission is inclined to maintain its draft decision. However, a further consideration is whether this change should proceed in isolation given the Commission is no longer proposing any other changes to metropolitan taxi fares.

Further analysis by the Commission estimates that this proposal could increase taxi revenues by around \$1.4 million (roughly \$300 per taxi).<sup>21</sup> We understand the cost of meter reprogramming for most taximeters used in Victoria is in the order of \$150. However, this does not include the associated opportunity cost of that taxi's time out of service for reprogramming.

On balance, the Commission is not confident that the benefits generated from this proposal alone would outweigh the associated costs, such as taximeter reprogramming. The Commission will therefore not proceed with the draft decision at this time. However, we will consider this issue in future if it can be incorporated in combination with broader changes.

### **FINAL DECISION – METROPOLITAN ZONE**

- **No change to current maximum fares on nights before public holidays**

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<sup>19</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 4.

<sup>20</sup> Greg Gilliver 2016, *Submission to the Draft Report*, 5 May, p. 2.

<sup>21</sup> These estimates are based on 2014-15 taxi trip demand and 4 701 taxis operating in the metropolitan zone.



# 3 MAXIMUM FARES FOR THE URBAN AND LARGE REGIONAL ZONE

This chapter summarises our final decision on maximum taxi fares for the urban and large regional zone. We recap our draft decisions, summarise stakeholder feedback from our consultation process and outline our response and final decision.

## 3.1 INTRODUCTION

The urban and large regional zone consists of four geographically separated areas, which we refer to as: the 'eastern urban area' (covering Dandenong, Frankston and the Mornington Peninsula); and the three large regional areas of Geelong, Ballarat and Bendigo.

These zones currently operate under different fare structures:

- The eastern urban area follows the metropolitan zone fare structure, which has day, overnight and peak tariff rates.
- Geelong, Ballarat and Bendigo (the western urban area) have a fare schedule comprised of one standard maximum tariff applicable at all times, plus a 'late night fee', applicable from midnight to 6am each day.

## 3.2 THE COMMISSION'S DRAFT DECISIONS

The Commission made five draft decisions for the urban and large regional zone.



1. Maximum fares for the areas of Dandenong, Frankston and the Mornington Peninsula would continue to be consistent with maximum fares in the metropolitan zone, including changes made to metropolitan zone maximum fares following this review.
2. In Geelong, Ballarat and Bendigo, there would be no change to maximum fares outside periods when a late night fee or holiday rate may be charged.
3. In Geelong, Ballarat and Bendigo, the period during which a late night fee may be charged would be from 7pm on Fridays and Saturdays to 6am on the morning immediately following; and from midnight to 6am on all other days (instead of from midnight to 6am on all days currently). The maximum charge for a late night fee would remain capped at \$3.40.
4. In Geelong, Ballarat and Bendigo, the holiday rate would be able to be charged from 7pm **on the evenings prior to** all public holidays, until 6am on the morning immediately following. The maximum charge for a holiday rate will remain capped at \$4.20.
5. In Geelong, Ballarat and Bendigo, the holiday rate of \$4.20 would continue to apply all day Christmas Day and Boxing Day, from 6pm on New Year's Eve and all day New Year's Day (but not after 6am on other public holidays).

### 3.2.2 SUMMARY OF REASONS FOR THE DRAFT DECISIONS

#### **NO CHANGES TO MAXIMUM FARES DURING OFF-PEAK PERIODS**

Similar to our analysis of the metropolitan zone, our analysis of the urban zone indicated that, at most times, the level of maximum taxi fares was not limiting taxi service providers' flexibility to provide competitive price and service offerings to consumers.

In the eastern urban area and in Geelong, the supply of on road taxis has increased since the May 2014 fare increase and the June 2014 reforms that removed taxi licence quantity restrictions. In the areas of Bendigo and Ballarat, the supply of taxis appears to have remained relatively stable since our 2014 review.

In conjunction with the observed decline in taxi operating costs (largely due to lower LPG prices), these outcomes suggest that the average level of maximum fares in the urban zone is at least sufficient to maintain current investment levels.

### **MAXIMUM FARES IN THE EASTERN URBAN AREA TO REMAIN CONSISTENT WITH THE METROPOLITAN ZONE**

The dataset to which we have access does not cover the entire eastern urban area. However, we noted there was evidence in the data of high taxi demand relative to supply on Friday and Saturday nights (Saturday nights in particular), which is somewhat consistent with the metropolitan zone.

There are high population densities in some areas near the metropolitan zone and eastern urban area boundary, meaning it is likely that passenger trips across the boundary are not uncommon. As such, we considered it desirable to retain consistency in the maximum fares for these two areas in the interest of minimising confusion for customers.

### **EXTENSION OF THE LATE NIGHT FEE PERIOD IN GEELONG, BALLARAT AND BENDIGO**

Our analysis indicated relatively high demand for taxis on Friday and/or Saturday nights in some of these areas, relative to the rest of the week, while the supply of on road taxis was not at its maximum for the week (this was apparent in Geelong in particular).

On this basis, we proposed to extend the time during which a late night fee may be charged on Friday and Saturday nights. On these nights, the late night fee period would commence from 7pm on Friday and Saturday nights (instead of from midnight in the current maximum fare arrangements). The maximum charge for the late night fee would remain at \$3.40.

Allowing taxi service providers in these areas the option to charge a late night fee from the earlier time of 7pm on Friday and Saturday nights was aimed at promoting incentives for taxi service providers to improve taxi availability during times of peak demand.

## **EXTENSION OF THE HOLIDAY RATE TO THE NIGHTS PRIOR TO PUBLIC HOLIDAYS IN GEELONG, BALLARAT AND BENDIGO**

As in the metropolitan zone, our analysis of taxi data indicated that demand for taxis on the nights before public holidays was often similar to that experienced on Friday or Saturday nights.

In Geelong, Ballarat and Bendigo, we therefore proposed to allow the maximum fare to include the maximum holiday rate from 7pm on the evenings prior to all public holidays, until 6am on the actual public holidays. The maximum charge for the holiday rate would remain at \$4.20.

We also proposed to retain the current arrangements whereby the holiday rate may be charged all Christmas Day, Boxing Day, New Year's Day and on New Year's Eve from 6pm.

### **3.3 STAKEHOLDER VIEWS AND COMMISSION RESPONSE**

We received a submission from the VTA on behalf of the Geelong, Ballarat and Bendigo taxi networks regarding our draft decisions for the urban and large regional zone. We also held meetings with representatives of the Geelong, Ballarat and Bendigo taxi networks.

In this section, we report the views of stakeholders, and then analyse and respond to these view and submissions. Where relevant, we indicate our final decision.

#### **3.3.1 THE FARE SETTING APPROACH**

##### **STAKEHOLDER COMMENTS**

In our consultation with stakeholders, representatives of some of the urban networks stated a preference for fare regulation for their areas to move to a price notification framework, which is currently applied in regional and country taxi zones.

This view was also expressed in the media by a representative of the Ballarat Taxis Co-operative following the release of our draft report, stating “In in the long term we’d prefer to go down the path of price notification in line with country Victoria”.<sup>22</sup>

## COMMISSION RESPONSE

As noted in our draft report, and in Chapter 2 of this report, the Commission is not in a position to implement fare deregulation by removing maximum taxi fares. Consequently, we do not respond specifically to these comments as part of this review.

### 3.3.2 NO CHANGE TO FARES OUTSIDE OF PEAK OR HOLIDAY PERIODS

#### STAKEHOLDER COMMENTS

The VTA stated that an increase in tariffs was necessary to account for material increases in costs.<sup>23</sup> These increases included:

- Increases in insurance costs as a result of the implementation of the implied conditions for driver agreements in July 2014 – this includes an increase in repair costs, which are not claimed from insurance and can no longer be recouped from drivers. The VTA estimates this has increased costs by \$700 per year per vehicle on average.
- WorkCover costs – the VTA submits that changes in the split of farebox revenue have led to increases in drivers’ income, and, since worker’s compensation insurance is charged at a percentage of income, the overall cost of WorkCover premiums has increased.
- Increases in administrative costs, registration costs for WATs and other insurance costs.

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<sup>22</sup> M Pollock 2016, *Report pushes for extension to taxi fare peak hours*, The Ballarat Courier, 4 May.

<sup>23</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, pp. 4-5.

While the VTA acknowledges the decline in fuel costs, it raises concern with the volatility of fuel prices and the possibility of fuel prices increasing within the determination period.

## **COMMISSION RESPONSE**

As emphasised in our draft report and in Chapter 2 of this report, the Commission no longer sets fares strictly with references to costs, or changes in costs. Reforms to taxi licensing and emerging competition from alternative services to taxis mean that it is very difficult to predict the impacts of fare increases on taxi demand. This means we can no longer rely solely on changes in costs to guide taxi fares; broader market outcomes, such as changes in taxi supply, demand and service quality must also be taken into account. Nonetheless, we are also mindful of our conclusion in our draft report that the consequences of setting maximum fares too low are potentially greater than setting them too high.

In Appendix D of Volume 2 of our draft report, we analysed how the costs of taxi operation had changed since 2014. This approach used an index approach to combine the changes in costs in the various cost components (for example LPG, insurance, and vehicle costs) to produce an overall percentage cost change.<sup>24</sup>

The Commission's estimate of the change in the aggregate cost index was a decline of 7.9 per cent. This cost reduction was largely driven by a 27 per cent fall in LPG costs in Melbourne between March 2014 and December 2015.

The Commission also obtained data on LPG prices in Ballarat, Bendigo and Geelong. These data show a fall in LPG prices of between 26 and 38 per cent between March 2014 and December 2015. As the share of costs attributable to fuel is around 34 per cent of operator costs (the 'index weight'), these changes imply a decrease of between 9 and 13 per cent in the total cost index.

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<sup>24</sup> In the indexing approach, each cost item is given a 'weight' reflecting its relative importance in the total costs of operation. As an example, the index weight for insurance costs is 6.1 per cent, meaning that a 10 per cent rise in the cost of insurance would lead to a 0.61 per cent increase in the total index. For LPG costs, the weight is 34 per cent.

Our further calculations indicate that the change in the total cost index resulting from the VTA's estimated cost increases are relatively small compared to the reduction resulting from the fall in LPG prices:

- The VTA provided an estimate of \$700 in additional insurance costs due to the implementation of the implied conditions for driver arrangement.<sup>25</sup> Using the mid-point estimate of comprehensive insurance costs for 2014 from the draft report of \$3420, this additional cost represents a 20 per cent increase in comprehensive insurance costs. The cost weight of comprehensive insurance is 6.1 per cent, implying an overall increase in the total cost index of 1.2 per cent.
- The VTA indicated that registration for WAT vehicles has increased by 8.9 per cent.<sup>26</sup> The cost weight for registration is 3.9 per cent implying an overall increase in the total cost index of 0.4 per cent.
- The VTA also provided a worked example of changes in workers compensation insurance costs. It showed an increase from \$2.49 in May 2014 to \$2.90 today for a \$300 metered fare.<sup>27</sup> This example suggests an increase of 16.5 per cent in workers compensation insurance costs. The cost weight for workers compensation insurance is 1.5 per cent, implying an overall increase in the total cost index of 0.3 per cent.<sup>28</sup>

It is apparent that, in total, these cost increases fall short of the cost reductions resulting from the fall in LPG prices.

We also maintain that the current approach to fuel prices compensates taxi service providers for LPG price volatility. In our 2014 taxi fare review, we acknowledged the risks for operators from movements in LPG prices, which are not easily contracted away for most taxi operators. We therefore said it was appropriate that the industry is compensated for carrying this risk in the absence of automatic fare adjustments to

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<sup>25</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 5.

<sup>26</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 4.

<sup>27</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 5.

<sup>28</sup> We note that as cost indices change each component's weighting in the cost profile also changes. However, this would not alter the conclusion that cost increases are outweighed by the reduction in LPG prices.

account for changes in observed LPG prices. Further, the Commission indicated it had provided appropriate compensation by:

- basing fuel costs in the operator cost profile on a conservative (high) estimate of fuel prices (over 85c per litre)
- including a one per cent buffer on costs and
- choosing a relatively high industry rate of return.<sup>29</sup>

In conclusion, the Commission remains of the view that the total costs incurred by operators in the urban zone are likely to have fallen over the period since the last fare review.

### FINAL DECISION – URBAN ZONE

- Maximum fares for the areas of Dandenong, Frankston and the Mornington Peninsula will continue to be consistent with maximum fares in the metropolitan zone.
- In Geelong, Ballarat and Bendigo, there will be no change to maximum fares outside periods when a late night fee or holiday rate may be charged.

### 3.3.3 EXTENSION OF THE LATE NIGHT FEE PERIOD AND HOLIDAY RATES

#### STAKEHOLDER COMMENTS

The VTA agreed (on behalf of the networks in Geelong, Ballarat and Bendigo) that the intent of this draft decision was appropriate.<sup>30</sup> However, the VTA advocated that the increase in the late night fee and holiday rate should apply to variable tariff rates (the distance and time rates) instead of fixed fees. It was concerned that customers would be deterred by the large flagfall:

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<sup>29</sup> Essential Services Commission 2014, *Taxi Fare Review 2013-14 – Final Report*, March, p. 114.

<sup>30</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 6.

... businesses in these areas have made clear that in their experience, customers are deterred by the imposition of significant values which accrue on the meter prior to a trip commencing. If indeed this has the effect of reducing demand... this removes any benefit for drivers of the extension of hours and thus acts contrary to the intent of the proposal.<sup>31</sup>

## COMMISSION RESPONSE

To encourage more taxi service providers to operate during peak times on Friday and Saturday nights, we proposed to commence the late night fee period earlier on Friday and Saturday nights— from 7pm instead of from midnight – in our draft report. Further, we proposed to extend the holiday rate to the evenings before public holidays from 7pm and through to 6am on the day of the public holiday.

Unlike in metropolitan areas, the response we received from stakeholders to this draft decision during the consultation period was generally positive.

On the issue of whether fixed or variable tariffs rates should be increased, there is a balance of considerations required. The increase in the drivers' financial incentives provided by the late night fee could also be achieved through an increase in the distance and waiting rates, but the calculation of the appropriate increase is not straightforward. This is because it depends on the number and length of trips at these times, and we have not been supplied with the data that would allow such calculations for all parts of the western urban area. Further, it would lead to different tariffs being set in each of Ballarat, Bendigo and Geelong. We also note that because the fares we determine are *maximum* fares, taxi service providers need not apply this change if they are concerned about the impact that it may have on demand for their services.

Given the support for the intent of this decision, we have decided to proceed with our draft decision to extend the late night fee period and allow the holiday rate to be charged on evenings prior to public holidays.

We stress, however, that the late night fee and the holiday rate (as with all rates we determine) are *maximum* charges. We would hope that these are not automatically

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<sup>31</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 6.



charged by service providers purely on that basis that they are allowed by maximum fare regulation. Rather, we would expect that service providers use this additional scope for flexibility in the fares they charge to improve services for consumers.

### FINAL DECISION – URBAN ZONE

- In Geelong, Ballarat and Bendigo, the period during which a late night fee may be charged will be from 7pm on Fridays and Saturdays to 6am on the morning immediately following; and from midnight to 6am on all other days (instead of from midnight to 6am on all days currently). The maximum charge for a late night fee will remain capped at \$3.40.
- In Geelong, Ballarat and Bendigo, the holiday rate will be able to be charged from 7pm on the evenings prior to all public holidays, for the relevant area, appointed under the *Public Holidays Act 1993*, until 6am on the morning immediately following. The maximum charge for a holiday rate will remain capped at \$4.20.
- In Geelong, Ballarat and Bendigo, the holiday rate of \$4.20 will continue to apply all day Christmas Day and Boxing Day, from 6pm on New Year's Eve and all day New Year's Day (but not after 6am on other public holidays).

# 4 OTHER MATTERS

This chapter addresses a number of matters related to taxi fares that are not explicitly addressed in our final decisions as part of this review.

## 4.1 INTRODUCTION

In our draft report, we noted a number of matters on which we sought further feedback before finalising our conclusions. These included the structure of airport taxi fares and additional options for adding flexibility to maximum fares.

In this chapter we also address some new matters that have been raised by stakeholders following the release of our draft report. These include access fees charged by Melbourne Airport to taxi drivers and the fares applicable to wheelchair accessible taxis.

## 4.2 AIRPORT ACCESS FEE FOR TAXIS

Melbourne Airport charges taxi drivers an access fee for the use of its facilities associated with picking up passengers from the airport rank. Melbourne Airport operates taxi holding areas and a queuing system that taxis must access if they wish to collect passengers from the airport rank. Melbourne Airport currently charges taxis \$2.70 for use of these facilities.

The current determination of maximum taxi fares allows taxi drivers to pass on the \$2.70 fee in full to passengers procuring taxis from the airport rank.

Melbourne Airport provided a late submission to our draft report after the submission closing date indicating that:

- it is seeking to increase the airport access fee it charges to taxi drivers to \$3.58 inclusive of GST (an increase from \$2.70)
- intends to hold this fee constant for two years, and to then index the fee in line with changes in the CPI.<sup>32</sup>

Melbourne Airport's submission further stated the following:

- Revenue from Melbourne Airport's fee is intended to recover, and not profit from, the cost of building and maintaining infrastructure for taxi services, including holding bays and driver amenities, queue management services and managed taxi ranks.
- In the event the Commission does not approve the pass through of access fees, Melbourne Airport will consider one of two options: to immediately reduce investment in infrastructure and services to taxis to ensure alignment of cost recovery; or seek to impose access fees directly on the taxi industry.<sup>33</sup>

In short, Melbourne Airport seeks the Commission's endorsement for taxi drivers to pass through the higher access charge to the end customer with implementation as of 1 July 2016.

## **COMMISSION RESPONSE**

Melbourne Airport's taxi parking areas and access roads are on Commonwealth land that is leased by the airport. Consequently, Melbourne Airport unilaterally has the ability to set the terms and conditions of access to landside vehicle services. The airport access fee is monitored by the Australian Competition and Consumer Commission (ACCC) as part of the ACCC's price monitoring role.

Our role is limited to determining the fees that may be charged by taxis to consumers (referred to as the 'Airport Rank Fee').

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<sup>32</sup> Melbourne Airport 2016, *Submission to the Draft Report*, 27 May, p.4.

<sup>33</sup> Melbourne Airport 2016, *Submission to the Draft Report*, 27 May, p.4.

The Commission is disappointed that Melbourne Airport has raised the issue of airport fees at this late stage of the review, with a late submission seeking the Commission's endorsement of the fee being passed on to consumers. Melbourne Airport is aware of the importance of taxi trips from the airport, but the relevant stakeholders (including the taxi industry and consumers) have had no opportunity to comment on the Airport's submission as part of this review. Further, the Airport's submission does not explain the additional benefits that consumers can expect from its proposed 33 per cent increase to the airport fee.

The Commission is left with two options: to approve the \$3.58 fee as a pass through to passengers; or to maintain the current \$2.70 fee as the maximum that can be charged to passengers.

In the former case, making a decision to pass through the fee without further consultation would not be consistent with good regulatory practice; the Commission's Charter of Consultation and Regulatory Practice (2012) notes that we are committed to community consultation to guide our public decision-making.<sup>34</sup>

In the latter case, in the event that Melbourne Airport raises the fee to \$3.58, taxi drivers would effectively have to pay the airport an additional \$0.88 for each airport fare.

While the Commission acknowledges the potential effects of an increase in the airport fee on taxi drivers, we are not in a position to accept the Airport's proposal to simply pass through the fee to consumers at this late stage of the Commission's review. To make a decision without further consultation would be inconsistent with our published guidance on how we consult with industry and consumers. Moreover, the mandatory time limits for this review preclude further consultation on the Airport's proposal at this time.

The Commission's powers in relation to maximum taxi fare setting allow for it to make determinations at any time, with reviews of price determinations to be completed within

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<sup>34</sup> Essential Services Commission 2012, *Charter of consultation and regulatory practice*, August, as at; <<http://www.esc.vic.gov.au/publications/6490-charter-of-consultation/>>, accessed May 2016.

two years of their making.<sup>35</sup> This means there is opportunity for the airport fee issue to be considered with appropriate consultation after the completion of this review.

The Commission will therefore not make a decision at this time on a change to the airport rank fee that can be charged to taxi passengers.

## **THE COMMISSION SEEKS FEEDBACK ON THE AIRPORT RANK FEE**

The Commission now seeks feedback from stakeholders on the Airport Rank Fee that can be charged to passengers, noting Melbourne Airport's stated intention to increase the fee it sets and charges taxi drivers.

The Commission has no role in reviewing or approving the amount Melbourne Airport charges taxi drivers for the use of its facilities. Our role is limited to determining the maximum fares that taxis may charge passengers. This means we are not in a position to assess or decide whether the fee Melbourne Airport charges taxi drivers is efficient or, as Melbourne Airport's submission claims, *'is intended to recover, and not profit from, the cost of building and maintaining infrastructure for taxi services'*.<sup>36</sup>

The Commission's current maximum fare determination allows for the current \$2.70 access fee to be charged to passengers by taxi drivers, as follows:

*The driver of a taxi who accepts a hiring from the Melbourne Airport taxi rank, after that driver has paid for the use of Melbourne Airport taxi rank queuing facilities and/or waiting bays, is authorised to charge the hirer an Airport Rank Fee of \$2.70.*

We now seek feedback on a proposal to amend the determination to require that, before Melbourne Airport's access fee can be passed on to passengers by taxi drivers, the fee must be published on Melbourne Airport's website and in a daily newspaper generally circulating in Victoria. We would expect that the information published makes clear that the fees are charged by Melbourne Airport to taxi drivers to access the airport rank.

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<sup>35</sup> See Appendix A for a summary of our legislative obligations.

<sup>36</sup> Melbourne Airport 2016, *Submission to the Draft Report*, 27 May, p.4.

The intention of this proposal is to facilitate greater transparency and opportunity for consultation on fees that may be charged to consumers as a result of Melbourne Airport changing the access fees it charges taxi drivers.

In light of our inability to review or approve the prices set by Melbourne Airport, we are keen to avoid a perception that a decision by the Commission is an endorsement of the fees charged by Melbourne Airport.

An amended version of the determination could be of the following nature:

*“The driver of a taxi who accepts a hiring from the Melbourne Airport taxi rank, after that driver has paid for the use of the Melbourne Airport taxi rank queuing facilities and/or waiting bays, is authorised to charge the hirer an Airport Rank Fee of an amount up to the greater of (i) \$2.70; or (ii) an Airport Access Fee payable by the taxi for using that taxi rank as published from time to time by Melbourne Airport in a daily newspaper generally circulating in Victoria and on Melbourne Airport’s website.”*

We also seek feedback on whether additional measures to promote transparency for consumers would be beneficial, such as requiring the Airport Rank Fee to be displayed on the taximeter at the beginning of the trip and/or itemised on a receipt at the end of the trip.

#### **FINAL DECISION – AIRPORT RANK FEE**

- No change will be made to the maximum Airport Rank Fee that can be charged to consumers as part of this review.
- The Commission will consider stakeholder input on the Airport Rank Fee after the completion of this review.

### **4.3 FUTURE DIRECTIONS ON AIRPORT FARES**

In our draft report, we made observations about the distinct characteristics of trips from Melbourne Airport. We suggested that there might be merit in considering an alternative fare structure for these journeys. Such a fare structure would most likely

involve a rebalancing between the distance charge and the flagfall components of the tariff. We did not propose any specific approach in our draft report, instead highlighting that this would be an area for future investigation.

## **STAKEHOLDER COMMENTS**

We received one submission to our draft report in relation to airport fares, which came from Melbourne Airport. In its submission, Melbourne Airport indicated that it supports the use of a minimum fare as an appropriate solution to short fare refusals. Melbourne Airport did not support a unique fare structure for trips from the airport due to the risk that it could result in a shortage of taxis and unmet demand at the airport:

*The associated narrative [in the Commission's draft report] supports incentivising taxi supply away from the airport into other geographic areas. Should this be achieved, and the airport was unable to meet taxi demand with supply, there would be a market shift to other modes of transport which would be detrimental to the taxi industry and jeopardise Victoria as the aviation gateway to Australia.<sup>37</sup>*

There was a submission to our earlier consultation paper on the issue of airport fares with an alternative view. Taxicorp's submission suggested the current fare structure creates undesirable incentives for airport trips, with short trips from the airport being unattractive to service, and the prospect of lucrative long trip fares from the airport encouraging taxi drivers to drive empty to the airport.<sup>38</sup>

## **COMMISSION RESPONSE**

The Commission acknowledges Melbourne Airport's concern regarding the potential for an undersupply of taxis at the airport if fares were not sufficiently attractive for taxi drivers to service airport trips. The Commission agrees that if fare structure changes were to reduce taxi supply to the point of causing long queues of passengers this would be detrimental for consumers.

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<sup>37</sup> Melbourne Airport 2016, *Submission to the Draft Report*, 27 May, p.6.

<sup>38</sup> Taxicorp Pty Ltd 2016, *Submission to the Consultation Paper*, 1 February, p. 6.

The Commission's legislative objective is to promote the efficient provision and use of commercial passenger vehicle services. Accordingly, we are concerned with not only whether the provision (supply) of taxis at the airport is *sufficient* to meet demand, but also whether it is *efficient*. In other words, the Commission must also consider whether the maximum taxi fares it determines create incentives that lead to an oversupply of taxis at the airport.

The preliminary analysis in our draft report indicates that current level of taxi queuing at Melbourne Airport is, on average, well in excess of that observed in the rest of the metropolitan zone. On average, taxi drivers currently wait 76 minutes in the airport queue – roughly twice the time spent queuing or searching for trips elsewhere. In 2014-15, between 6am and midnight, there were on average 323 taxis waiting in the airport queue, compared to an average of 273 passenger trips per hour. These figures suggest that it would take more than an hour to deplete the airport taxi supply even if no taxis joined the queue in that time.

The analysis presented in our draft report aims to prompt discussion of whether the current level of taxi supply at Melbourne Airport is efficient, and the extent to which fares influence the level of queuing.

To date, no evidence has been brought to our attention suggesting that there may be insufficient taxis to meet customer demand at the airport. Our draft report also notes, however, that it is not self-evident that potential passengers elsewhere in the metropolitan area are disadvantaged by so many taxis queuing at the airport. In other words, there does not appear to be an overall shortage of vehicles in the rest of the metropolitan area.

Nevertheless, questions remain about whether the general taxi fare structure promotes the most efficient use of taxis between the airport sub-market and the broader metropolitan market.

Before any changes are made to airport fares, we would need to gain a better understanding of the market for airport trips. This would include a further study of the incentives for drivers to queue at the airport and on the effect of different fare structures on both airport queuing and service levels more generally. We would also need to consider the impact of Melbourne Airport's own access fee it charges taxi drivers on these incentives.



The Commission welcomes further comment from stakeholders on the issue of airport taxi fares.

#### **4.4 FURTHER FORMS OF FARE FLEXIBILITY**

Our draft report sought stakeholders' views on other options for introducing greater flexibility to taxi fares, within the bounds of the maximum fare legislative framework.

The Commission's objective in adding greater flexibility to regulated maximum fares was to create opportunities for the taxi industry to better respond to competition through improved price and service offerings, while protecting consumers where competition is inadequate to prevent excessive pricing.

The primary form of flexibility we considered was a flexible peak booking charge at peak hours. However, we asked a number of questions about other forms of fare flexibility, which are replicated in the following box.

### **More flexible maximum pre-booked taxi fees to promote improved taxi service offerings**

- What types of fare offerings for pre-booked taxis should be considered to improve fare flexibility for taxi service providers?
- What types of consumer protection would be necessary?
- What are the main advantages and risks of different options?

### **Alternative tariff structures**

- Does the current taxi fare structure (consisting of a flagfall, distance rate per kilometre above 21 kilometres per hour and time rate per minute below 21 kilometres per hour) limit the ability of taxis to compete in the pre-booked market?
- How could different taxi fare structures be introduced as regulated maximum fares?
- What are the practical issues associated with allowing alternative tariff structures?

### **Optional fixed price fares for pre-booked taxi trips**

- Is it likely that optional fixed price fares would be used by passengers?
- Is it likely that taxi networks would be able to agree with affiliated taxi operators about the fixed fares to be offered?
- If we were to allow for fixed price fares, how could this be done in a way that is consistent with our role of regulating maximum fares?

The timeframe for this review requires us to conclude our final decisions by 19 June 2016. Within this timeframe, it was not likely to be possible to introduce additional fare flexibility options beyond that proposed in the draft decision. However, we indicated we were open to further discussion and consultation of additional options following the formal completion of this review if interest is shown from stakeholders.

## **STAKEHOLDER VIEWS**

The Commission did not receive any responses to the specific fare flexibility questions. As noted in Chapter 2 of this report, most comments on fares generally suggested that

a deregulation of controls on fares (either pre-booked or across the market) would be the best approach.

The VTA noted that in part the limited time available for review made commenting difficult for the peak booking charge, but (in responding on peak booking charges) that the Commission should rely on market competitiveness to solve problems of the kind described:

*There is insufficient time for the VTA to meaningfully engage with members and provide any detail about how the [peak booking charge] would be implemented. What we can say is that in line with the stated desire to depart from prescriptive regulation, regulators should concern themselves less with how such proposals would play out and trust that the freedoms afforded would be exercised on the basis of supply and demand as intended and effectively regulated by a competitive market.<sup>39</sup>*

As discussed in Chapter 2, the TSC's submission suggested setting a single fare structure at a higher level that would, "enable service providers to confidently charge fixed-price fares for a range of journeys without being concerned about exceeding the maximum tariffs."<sup>40</sup>

## **COMMISSION RESPONSE**

The minimal comment from most stakeholders in providing more flexible fares other than the peak booking charge may be an indication that current maximum fares are not the most material constraint on fare innovation.

Alternatively, the fact that some submissions chose to advocate for fewer regulatory controls on taxi fares (rather than responding specifically to the Commission's fare flexibility questions) may reflect a view that it is inherently difficult to meaningfully enhance the flexibility of fares within the maximum fare legislative framework.

In this context, the Commission has observed a number of recent developments in booked taxi fare offerings. As noted in our draft report, GoCatch and Ingogo taxi apps

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<sup>39</sup> Victorian Taxi Association 2016, *Submission to the Draft Report*, 26 May, p. 3.

<sup>40</sup> Taxi Services Commission 2016, *Submission to the Draft Report*, 25 May, p. 2

allow customers to offer a 'tip' to taxi drivers to encourage drivers to service the booking. We understand owners of the iHail app intend to include similar functionality in their app through a 'queue jump fee'.<sup>41</sup>

A more recent development that has occurred since the release of our draft report, is the introduction of fixed fares for taxis by Ingogo. We understand that passengers are offered the fixed fare based on an estimation of the applicable maximum fares. Information on Ingogo's website suggests it calculates fixed fares using a 'complex algorithm' which acts like a meter:

*Like a normal taxi meter, we look at things like distance travelled, time of day and day of the week, however, we're also now through a variety of fantastic mapping and other technologies, able to consider many other types of information e.g. optimal routes to get the passenger to their destination, real-time and predicted traffic patterns, road and airport tolls, etc.*<sup>42</sup>

Ingogo has also now introduced cancellation fees for customers that book a taxi but do not show for the booking, and driver penalties for not showing up for bookings.<sup>43</sup>

Whether such offerings are wholly consistent with the maximum fare legislative framework is unclear and may be a matter for the industry regulator. However, the introduction of fixed fees and cancellation fees illustrates that such fare flexibility is technologically (and at least potentially commercially) feasible.

Given recent market developments, we consider that there is likely to be greater pressure on taxis to price competitively. Going forward, we are keen to ensure that technological constraints (such as existing taximeters) and regulatory constraints (such as prescriptive price structures) do not impede taxi service providers from developing innovative offerings. The Commission reiterates its willingness to engage with taxi service providers on how flexibility can be offered in a way that promotes consumer interests.

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<sup>41</sup> iHail, *Terms & Conditions*, <<http://ihail.com.au/terms-and-conditions-australia/>> , accessed 7 June 2016.

<sup>42</sup> Ingogo, *Passenger FAQs*, <<https://www.ingogo.com.au/passenger-faqs-for-fixed-fares/>> , accessed May 2016

<sup>43</sup> Ingogo, *Passenger FAQs*, <<https://www.ingogo.com.au/passenger-faqs-for-fixed-fares/>> accessed May 2016

## 4.5 FARES FOR WHEELCHAIR ACCESSIBLE VEHICLES

Wheelchair accessible taxis (WATs) operate under a separate licence to a conventional taxi. Licence conditions for WATs are regulated by the TSC, and include a requirement to prioritise wheelchair passengers and conditions for receiving subsidies payments under the MPTP scheme. WATs must also meet certain vehicle specifications to enable the safe access and carriage of wheelchair passengers.

In our draft report we noted that, while total metropolitan taxi licence numbers have increased following the removal of licence quantity restrictions in June 2014, the number of WAT licences declined from 504 to 482 as at December 2015. More recently obtained figures show the number of WAT licences further declined to 460 at the beginning of May 2016.

A range of government policies are in place to encourage the operation of WATs and to influence the availability of WATs for wheelchair passengers. These include:

- lower annual fees for WAT licences are set in legislation (currently \$18 988) compared to conventional taxi licences (currently \$22 703)
- a 'wheelchair lifting fee' of \$16.70 is paid by the MPTP to taxi operators and drivers for each wheelchair passenger trip
- the 'performance based booking scheme' – a program whereby taxi booking networks are eligible for incentive payments from the Taxi Services Commission for meeting certain criteria in fulfilling wheelchair passenger bookings
- higher age limits for WATs (10.5 years) compared to conventional taxis (6.5 years) to enable the recovery of capital costs over a longer period.

The vehicle requirements for WATs to carry wheelchair passengers also make these vehicles suitable for undertaking high occupancy trips (trips with over four passengers). The current metropolitan maximum fares allow for a \$14 fee to apply for non-wheelchair high occupancy trips, or any non-wheelchair trips where a high occupancy vehicle is specifically booked.

In our 2014 review, we changed the form of the high occupancy charge from a percentage uplift of 50 per cent on the standard taxi fare, to a fixed fee of \$14 – as recommended in the earlier Victorian Taxi Industry Inquiry. The intention of this was to

reduce incentives for WAT drivers to queue excessively at Melbourne Airport and to reduce the potential for fraudulent application of the high occupancy tariff.<sup>44</sup>

As part of this review, we analysed the outcomes following the change to the \$14 fee and reported our findings in Appendix F of Volume 2 of our draft report, concluding that:

*Our analysis shows that the introduction of a flat high occupancy fee has slightly reduced the preference for WAT drivers to queue at Melbourne Airport. However, it is unlikely that this has had any measurable impact on the intended outcome of improving service availability for wheelchair passengers in other parts of the metropolitan zone. Well designed government incentives are more likely to improve outcomes for wheelchair passengers than relatively small modifications to the high occupancy fare structure.*

## **STAKEHOLDER VIEWS**

During the consultation period, the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) raised with the Commission the issue of whether regulated fares could better facilitate the provision of WATs for passengers in a wheelchair. It noted that consultation undertaken as part of DEDJTR's review of the MPTP had identified ongoing service delivery issues with WATs, including long wait times and unreliable services.<sup>45</sup> We understand consultation on the MPTP review was completed in late 2015.

The TSC's submission to our draft report expressed concern about the decline in WAT licences and predicts this trend will continue. The TSC's submission suggested that their idea of a single (higher) maximum fare structure for all taxis would improve the financial viability of operators of vehicles such as WATs.

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<sup>44</sup> Victorian Taxi Industry Inquiry 2012, *Final Report – Customers First: Service, Safety, Choice*, September, p. 13.

<sup>45</sup> Department of Economic Development, Jobs, Transport and Resources 2015, *Improving transport for Victorians with limited mobility: A better Multi Purpose Taxi Program: Discussion paper*, September. The final report of this review has not been publically released.

## COMMISSION RESPONSE

Ensuring an appropriate supply of vehicles to service passengers in a wheelchair is a complex policy challenge. How we regulate taxi fares is only one part of this challenge.

The Commission is not convinced by the Taxi Services Commission's submission that the financial viability of WATs could be improved by a 'one size fits all' approach – that is, the TSC's proposal to set one maximum taxi fare across all taxis and at a high level. The submission simply asserts that such a fare structure would translate into incentives to operate WATs or service wheelchair passengers over conventional taxi work.

The Taxi Industry Inquiry recognised that without targeted government intervention, the market alone is unlikely to provide for the transport needs of mobility disadvantaged passengers. It also noted that:

*The accumulation of different regulations, grants, incentive payments and subsidies to support the provision of wheelchair taxis and subsidised taxi travel for consumers with a disability has become multi-layered, confusing, restrictive and in some cases, ineffective.<sup>46</sup>*

Consequently, the Taxi Industry Inquiry recommendations included that the number of WATs should be monitored to ensure that government incentives are sufficient to ensure an adequate supply of WATs for people with a disability.<sup>47</sup>

Historically, our general approach to the regulation of taxi fares has been to set fares for conventional taxis, although we have recognised that WATs may have higher costs than conventional taxis – our 2014 review indicated that the combination of vehicle and fuel costs suggested that the average costs for WATs were around 10 per cent higher. We also note cost differences have been taken into consideration in setting other policies for the provision of vehicles for wheelchair users.

It is clear that fares have a role in affecting driver incentives, but it is not obvious that changes to fares would be either the best, or most efficient, way to improve the supply

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<sup>46</sup> Victorian Taxi Industry Inquiry 2012, *Draft Report - Customers First: Service, Safety, Choice*, May, p. 336.

<sup>47</sup> Victorian Government Response to the Taxi Industry Inquiry, recommendation 1.4

of WATs to passengers that most need them.<sup>48</sup> The challenge of improving services for wheelchair passengers therefore includes but also extends beyond the remit of fare setting.

The Commission's view is that a holistic consideration of the appropriate mix of policy instruments is still the best way to ensure an efficient and reliable supply of WATs to service wheelchair passengers.

## 4.6 NEXT STEPS

The Commission's final decision for this review means that no changes will be made to metropolitan maximum taxi fares at this time. However the proposed changes to maximum fares for the areas of Geelong, Ballarat and Bendigo outlined in this report will proceed. Consequently, the Commission will issue a new taxi fare determination and associated schedule of hiring rates (the determination).

The new schedule of hiring rates will become effective as of 1 July 2016. As required by legislation, before the 1 July 2016 commencement date, we will publish the determination on our website, in the Government Gazette and in a daily newspaper generally circulating in Victoria.

There are some remaining matters we intend to address following the completion of this review. In particular, once we have had the opportunity to seek initial stakeholder feedback on the Airport Rank Fee issue raised in Melbourne Airport's late submission, we will make a decision on how best to proceed with a suitable consultation process and decision.

Additionally, we note that much of the wording of the current schedule of hiring rates has been carried over from previous determinations. Updates to some clauses may be beneficial to reflect recent changes to regulations and technological developments. In

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<sup>48</sup> Equally, the Departmental Review of the current MPTP scheme indicated that: "The dominance of a small number of wheelchair taxis servicing a large part of the market indicates that the increasing lifting fee expenditure may not be bringing more wheelchair accessible taxis into the market but simply further subsidising existing journeys that would have been made anyway." DEDJTR 2015, *Improving transport for Victorians with limited mobility: A better Multi Purpose Taxi Program: Discussion paper*, September, p. 14.



the time available for this review, we have not had the opportunity to consult all stakeholders on any substantive updates. We intend to undertake consultation on these updates before our next taxi fare review.

# APPENDIX A—LEGISLATIVE FRAMEWORK

## A.1 THE ESSENTIAL SERVICES COMMISSION ACT 2001

The ESC Act objective is to ‘*promote the long term interests of Victorian consumers*’. This objective highlights the importance of the consumer, that is, the customer or passenger using the taxi service. The ‘interest of consumers’ are served by the lowest possible fares as well as increased service quality and increased diversity and scope in taxi service offerings. This objective is conditioned by the ‘long term’ perspective, however, which highlights the potential conflict between the objectives of lower prices and service quality. Fares must be set at a level that ensures quality and reliable service provision now and in the future.

**TABLE A.1 RELEVANT SECTIONS OF THE ESC ACT**

| Section detail |   |
|----------------|---|
| s. 8 (1)       | <b>Objective of the Commission</b><br><br>In performing its functions and exercising its powers, the objective of the Commission is to promote the long term interests of Victorian consumers.  |
| s. 8 (2)       | 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. |

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**TABLE A.1 (CONTINUED)**

**Section detail**

s. 8A (1) **Matters the Commission must have regard to**

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—

- (a) efficiency in the industry and incentives for long term investment;
- (b) the financial viability of the industry;
- (c) the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries;
- (d) the relevant health, safety, environmental and social legislation applying to the industry;
- (e) the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for—
  - (i) consumers and users of products or services (including low income and vulnerable consumers);
  - (ii) regulated entities;
- (f) consistency in regulation between States and on a national basis;
- (g) any matters specified in the empowering instrument.

s. 8A (2) 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.

s. 33(3) **Price determinations**

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.

## A.2 THE TRANSPORT (COMPLIANCE AND MISCELLANEOUS) ACT 1983

Under the *Transport (Compliance and Miscellaneous) Act 1983* our specific industry objective is to 'promote the efficient provision and use of commercial passenger vehicle services'. This objective emphasises the efficient provision and use of *commercial passenger vehicle services*. The objective goes beyond taxi services, and most relevantly captures hire cars. Reference to 'efficient provision' means that at the desired level of quality, services are provided at least cost, and 'efficient use' requires that demand for taxi services reflects the efficient cost of providing those services. For example, if costs of service provision are higher during certain periods, then fares should reflect these higher costs (and demand in turn will respond to these higher fares).

**TABLE A.2 RELEVANT SECTIONS OF THE TRANSPORT (COMPLIANCE AND MISCELLANEOUS) ACT 1983**

| Section detail |  |
|----------------|--|
| s. 162B        | <b>Objective of the ESC</b><br><br>The objective of the ESC in relation to the taxi industry is to promote the efficient provision and use of commercial passenger vehicle services.   |
| s. 162C        | <b>Powers in relation to fares regulation</b><br><br>(1) For the purposes of Part 3 of the Essential Services Commission Act 2001 –<br><br>(a) The services provided by commercial passenger vehicles operating as taxi-cabs, in the licence of which the Melbourne Metropolitan Zone or the Urban and Large Regional Zone is specified, are prescribed services; and<br><br>(b) The maximum charges for the services covered by paragraph (a) are prescribed prices.<br><br>(2) The reference in subsection (1)(b) to maximum charges includes the amount of any holiday surcharge or late night surcharge payable for the provision of those services. |

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**TABLE A.2 (CONTINUED)**

| <b>Section detail</b> |  |
|-----------------------|--|
| s. 162D               | <p><b>Price determinations</b></p> <p>Without limiting s. 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—</p> <ul style="list-style-type: none"><li>(a) the time of day at which, or day of the week or kind of day on which, the service is provided; or</li><li>(b) the taxi-cab zone referred to in s. 143B(1) that is specified in the vehicle's licence; or</li><li>(c) the speed at which the vehicle is travelling; or</li><li>(d) the distance travelled by the vehicle; or</li><li>(e) the type of vehicle; or</li><li>(f) the occupancy of the vehicle, including where there is more than one hirer; or</li><li>(g) where the journey begins or ends.</li></ul> |
| s. 162E(1)            | <p><b>Exercise of regulatory functions</b></p> <p>In making a determination in relation to the taxi industry, the ESC must have regard to recommendations 12.1 to 12.9 and 13.1 to 13.5 in the final report of the Taxi Industry Inquiry tabled in both Houses of the Parliament on 12 December 2012.</p>  |
| s. 162E(2)            | <p>The ESC must make an initial determination under this Division of the maximum charges for services provided by taxi-cabs before the first anniversary of the day on which this Act receives the Royal Assent.</p>   |
| s. 162E(3)            | <p>The ESC must complete a review of a price determination no later than 2 years after it is made.</p>   |
| s. 162E(4)            | <p>Subsection (1) expires on the fifth anniversary of the day on which section 28(1) of the <i>Transport Legislation Amendment (Foundation Taxi and Hire Car Reforms) Act 2013</i> comes into operation.</p>   |

## A.3 TAXI INDUSTRY INQUIRY RECOMMENDATIONS

**TABLE A.3 TII RECOMMENDATIONS AND GOVERNMENT RESPONSES**

Recommendations 12.1 – 12.9 and 13.1 – 13.5

### Recommendation detail

- 12.1 Taxi fares in Metropolitan and Urban zones should continue to be regulated in the short to medium term, and should change from being prescribed fares (fixed amounts) to maximum fares, giving permit holders and Authorised Taxi Organisations the ability to offer discounted rates below the maximum level to consumers.

Government response: Support.

- 12.2 Maximum fares should be determined by the Essential Services Commission (ESC). Fare reviews should be undertaken every two years, with the capacity to undertake interim reviews should certain cost thresholds (for example, LPG cost movements) be reached.

Government response: Support

- 12.3 A Commissioner of the Taxi Services Commission should be appointed a member of the ESC for the purpose of assisting with taxi fare reviews and determinations for the first five years of taxi reform implementation. In addition, the ESC should be required to ensure its deliberations on fare setting have regard to the Government's broader taxi reform package and its progress in implementing these reforms.

Government response: Not supported

- 12.4 A review of the taxi fare setting methodology should be commenced as soon as possible. The terms of reference should have regard to the views expressed by the Taxi Industry Inquiry on fare setting methodology, should take into account the differences in industry structure between the taxi industry and other utility industries regulated by the ESC, and should consider fare setting models that account for demand factors in a dynamic way.

Government response: Support.

- 12.5 Maximum fares should be recorded on the taximeter. Authorised Taxi Organisations (ATOs) and independent permit holders should be permitted to determine and advertise lower fares than the maximum (and these discounted fares will also be shown on the taximeter), and all taxis affiliated with an ATO should be required to adhere to that organisation's published rates.

Government response: Support.

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**TABLE A.3 (CONTINUED)**

| <b>Recommendation detail</b> |  |
|------------------------------|--|
| 12.6                         | <p>In Regional and Country zones, where pre-booked services predominate, the Taxi Services Commission should be empowered to replace formal maximum fare regulation with a price notification and publication system, following the adoption of the licensing reforms proposed by the Taxi Industry Inquiry.</p> <p>Government response: Support.</p>  |
| 12.7                         | <p>In areas where price notification applies, Multi Purpose Taxi Program (MPTP) passengers should have their subsidy component calculated on the Metropolitan zone regulated maximum fares rate.</p> <p>Government response: Noted. The Taxi Services Commission to advise further on funding implications and technical issues associated with MPTP subsidy not being based on metered fee.</p>   |
| 12.8                         | <p>Following the first three years of the reform program, the Taxi Services Commission should assess the extent and effectiveness of fare competition to determine if it is suitable to also move from maximum to notified and monitored fares in the Metropolitan and Urban zones. In making this assessment, the Commission should consider if all or part of these services are sufficiently competitive, particularly the pre-booked segment of the market.</p> <p>Government response: Support</p>  |
| 12.9                         | <p>Fares should be restructured to:</p> <ul style="list-style-type: none"><li>• Ensure changes in operators' returns due to the new Driver Agreement do not adversely affect services, which require an increase in taxi fares late on Friday and Saturday nights (peak times), offset against a reduction in fares at all other times (off peak)</li><li>• Increase the flagfall and reduce the price per kilometre for the Metropolitan zone to address the undesirable practices of short fare refusal and inefficient behaviour such as airport overcrowding</li><li>• Replace the 'Tariff 3' 50 per cent surcharge on the distance and time rate with a flat fee of between \$10 and \$15, which customers should be advised of when they book a higher occupancy vehicle or when they select one from a rank, such as at the airport</li><li>• Simplify 'multiple hire' fare charging to support the industry to offer more flexible, innovative shared ride type services (for example, by allowing flat fee amounts for passengers in a shared ride trip that total more than the meter) and include provisions for MPTP members to use their subsidy for shared rides.</li></ul> <p>Government response: Support. Refer details to ESC for advice, together with advice on any fare adjustments necessary as a result of new zone boundaries.</p> |

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**TABLE A.3 (CONTINUED)**

**Recommendation detail**

- 13.1 Barriers to entry into payments processing should be reduced by changing arrangements for the Multi Purpose Taxi Program (MPTP) scheme and changing the approvals process for EFTPOS devices in Victorian taxis.

Regulations and the unique requirements mandated by the regulator for EFTPOS terminals should be rationalised and all taxi-specific requirements for mobile EFTPOS terminals removed as part of a transition to an industry certification framework. This should commence immediately and replace the current approval of this equipment by the State. During the transition to the new certification framework, minimal taxi-specific requirements for those EFTPOS terminals that are hard-wired (fixed) to other in-cab equipment should be retained.

Government response: Support in principle.

- 13.2 A new standard should be established for the processing of MPTP cards and this should be made available to future card payment providers. This would involve allowing any EFTPOS terminal to process MPTP cards by permitting taxi fare data to be acquired by EFTPOS terminals via newer 'cloud' technologies, rather than only via the current requirement of a hard-wired link with the taximeter. The new standard should be sufficiently technically robust to control fraud under all operating conditions. Adoption of this recommendation will require a formal design evaluation and commercial procurement diligence, prior to implementation.

Government response: Support in principle. The Taxi Services Commission to develop standards and protocols in consultation with the industry.

- 13.3 The 10 per cent service fee levied on the processing of electronic payments should be brought under regulation and set at a level that better reflects the resource costs of providing the service. The inquiry recommends this fee be set at five per cent of transaction value as a maximum amount that can be charged, until subject to a further evaluation by the Essential Services Commission.

Government response: Support.

- 13.4 More broadly, if payments processors continue to have difficulty in obtaining access to Cabcharge payment instruments, the Victorian Government should ask the Reserve Bank of Australia to consider designating Cabcharge as a payment system and impose an access regime requiring it to give access to payments processors on reasonable terms.

Government response: Support.

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**TABLE A.3 (CONTINUED)**

| <b>Recommendation detail</b> |  |
|------------------------------|--|
| 13.5                         | Removal of the service fee regulation applying to the processing of electronic payments for taxi fares should occur when competition is more effective in this area. |
|                              | Government response: Support.  |

# APPENDIX B—LIST OF SUBMISSIONS

## B.1 SUBMISSIONS TO THE CONSULTATION PAPER

We released a consultation paper in December 2015 and sought submissions by 1 February 2016. We received six submissions in response to the consultation paper:

- Schmidt Electronic Laboratories
- Hans Althoff
- Taxicorp Pty Ltd
- Victoria United Taxi Industry (B. Gammon)
- Taxi Services Commission
- Victorian Taxi Association.

## B.2 SUBMISSIONS TO THE DRAFT REPORT

We released a draft report on 3 May 2016 and sought submissions by 23 May 2016. We received 18 submissions in response to the draft report:

- Personalized Cabs
- John Glazebrook
- Taxi-Link Pty Ltd
- Greg Gilliver
- Peter Khawaja
- Charles Gauci

- Brooke McDonald
- Suleiman Hashi
- Jasvir Uppal
- Clive Blundy
- David Brumby
- Ralph Grapentin
- Bernie Smith
- Tarsem
- Taxicorp Pty Ltd
- Taxi Services Commission
- Victorian Taxi Association
- Melbourne Airport.