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GEELONG NIGHT LINK TAXIS – A PILOT PROGRAM

ISSUES PAPER

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GLOSSARY

Brisbane NightLink taxi scheme	A share-ride taxi service for Brisbane’s suburbs departing from three points in central Brisbane. Introduced in 2005, it operates Friday and Saturday nights, from 11pm til 5am.
Commission	Essential Services Commission — Victoria’s independent economic regulator of certain prescribed services as determined by Government. The Commission advises the Minister on taxi fares.
Fare	The price (or fee or cost) of a taxi trip, i.e. the amount paid by the passenger(s).
‘Fare boundary’	The boundary implied by a share-ride fare level, which shows where the share-ride fare switches from being more to less expensive than the standard taxi fare. It provides an indication of the attractiveness of a share-ride fare across the area covered by the pilot.
Fare structure	Refers to the system under which fares are applied to calculate the fare of a trip. For example, fares could have a fixed and variable component, or differing amounts based on travel destination (travel zone).
Fare zones	A geographic division of a given area with corresponding fares applicable to each zone. A one fare zone structure implies a single fare applies to the whole area.
Farebox revenue	The total fare for a taxi trip, i.e. the total revenue. Usually this is calculated via a meter, however for a share-ride taxi a flat fare is to be paid per passenger, with the farebox revenue equal to the sum of passengers’ fares.
Geelong Night Link taxi pilot	The proposed share-ride taxi pilot operating from the rank at 95–113 Moorabool Street Geelong with passengers organised into groups per taxi according to destination.
Geelong Taxi Network	A licensed provider of network taxi services in the Geelong urban taxi zone and the operator of the Geelong Night Link pilot.

High occupancy vehicle (HOV)	A class of taxi which can carry up to 11 passengers. Higher taxi fares apply to HOVs if carrying at least five passengers or if the hirer requests a HOV. The higher rate does not apply when the hirer is a wheelchair passenger.
Metered fare	The taxi fare for a journey as displayed on a taxi's meter. The fare rates (e.g. flagfall, distance rate etc) are determined by the Minister for Public Transport.
Multiple hire	Occurs when unacquainted people agree to share a taxi from a common starting point to their respective destinations. Under current fares, each hirer pays no more than 75 per cent of the metered fare at their drop-off point.
Rank marshals	For share-ride taxis it is proposed rank marshals will be responsible for explaining the service to potential customers and organising passengers into groups travelling in the same general direction to share a taxi.
Taxi Industry Inquiry (Inquiry)	Established by the Government in March 2011 to investigate and report on the functioning of the Victorian taxi and hire car market. The Inquiry provided its final report to Government in September 2012, and is available from www.taxiindustryinquiry.vic.gov.au .
Taxi zone	Taxi licences are attached to certain geographic areas (zones) in Victoria, limiting their operability. A taxi may only pick up from within its relevant zone. The four zones of Victoria are Metropolitan (Melbourne), Outer Suburban, Urban and Country. Geelong is an urban taxi zone.
Victorian Taxi Association (VTA)	The primary taxi industry body of Victoria, representing industry participants including licence holders, operators and network service providers.
Victorian Taxi Directorate (VTD)	A division of the Department of Transport responsible for the regulation of Victoria's taxi and hire car industry.
Wheelchair Accessible Taxi (WAT)	Taxis with WAT licences are designed to transport people in wheelchairs and must serve clients in wheelchairs as a priority before taking other fares. WATs may also operate as high occupancy vehicles (HOVs) that can carry up to 11 passengers when not carrying people in wheelchairs.

1 | REQUEST FOR SUBMISSIONS AND SUMMARY OF ISSUES

Purpose of this review

This review will provide advice to the Minister for Public Transport on a fixed-fare per head pricing structure for the late night, share-ride taxi pilot being developed by Geelong Taxi Network.

The pilot is to operate from the Safe City Taxi Rank at 95–113 Moorabool Street Geelong, between 1am and 6am Sunday mornings, and will service Geelong urban areas and nearby locations, including the Bellarine Peninsula and Torquay.¹

The Essential Services Commission's (Commission's) review role is to advise on the fare structure for the taxi pilot only, and its report will not cover the policy and operational aspects of the pilot which have been endorsed by the Government, based on a proposal by Geelong Taxi Network. These operational details are outlined in this issues paper (see section 3.4).

Summary of issues for comment

The following summarises the issues. However, the Commission encourages respondents to raise any other issues that are directly related to the role of the Commission (as provided for in the terms of reference).²

Establishing fare zones

An issue for the Commission is the structure of fares zones that should apply to the share-ride taxi pilot. Geelong Taxi Network has proposed two zones — an inner zone largely corresponding to the residential areas bounded by Corio (north), Herne Hill (west), Grovedale (south) and Leopold (east); and an outer zone which

¹ The Commission recently completed a similar review of the Victorian Taxi Association's pilot proposal for Melbourne. The Commission provided its report to the Minister for Public Transport in November 2012, and the pilot commenced in December 2012. The report is available from the Commission's website at www.esc.vic.gov.au.

² The Commission's review will not assess or determine the operational aspects of the pilot (e.g. safety issues, supply of drivers and taxis etc) as these are determined by Geelong Taxi Network.

stretches to Lara (north), Bannockburn Township (west), Torquay/Jan Juc (south), Queenscliff (east) and Portarlington (north east). Establishing multiple fare zones, while potentially adding some complexity to fare structure, can improve cost reflectivity.

Question 1. Is the zone structure proposed by Geelong Taxi Network a reasonable starting point for the share-ride taxi pilot? If not, what alternatives should be considered?

Approach to setting late night, share-ride fares

The Commission's approach to establishing fares for the taxi pilot is guided by matters listed in the terms of reference (these are discussed in section 4.2 of this issues paper). These matters include that drivers should receive payment at least as great as the comparable metered taxi fare, and the share-ride service should present a viable alternative to users seeking a lower cost taxi trip compared to hiring a standard taxi.

Question 2. Is the Commission's proposed approach involving the consideration of operator and passenger incentives reasonable?

Question 3. Are there other matters that the Commission should consider as part of its approach?

Fares for passengers travelling to same destination

The starting point for the Commission's consideration of fares for the Geelong Night Link taxi pilot is the Geelong Taxi Network's proposal — the Government has adopted the operational details proposed by the Network, but has asked the Commission for advice in regard to fares for the pilot. The Network proposes a per passenger fare of \$15 for destinations within the inner zone and \$30 for the outer zone.

Question 4. Should a single per passenger fare for each zone (with no discounts for group travel) be adopted for the share-ride taxi pilot (as per Geelong Taxi Network's proposal)? Or should other alternatives be considered?

Discounts off the set fare

The Commission notes that fares for the Melbourne taxi pilot were maximum fares, and the late night, share-ride taxi schemes in Queensland also operate like maximum fares whereby the rank marshal can discount the set fare for passengers when agreed by the driver.

Question 5. Should the share-ride taxi fares be established as maximums rather than prescribed rates so as to provide flexibility for Geelong Taxi Network to adjust fares down during the pilot if required?

An initial analysis of fares

Section 4.4 of this issues paper illustrates aspects of the Commission's methodology for assessing the share-ride fare structure. The analysis considers the fare proposal put forward by Geelong Taxi Network, i.e. a \$15 per passenger fare for destinations within the inner zone (essentially urban Geelong) and a \$30 fare for destinations within the outer zone (which captures locations beyond urban Geelong including those on the Bellarine Peninsula and Torquay). This initial analysis shows that passenger and operator incentives 'compete' with each other, i.e. passenger incentives cannot be improved overall without operator incentives being negatively impacted. An issue for the Commission and stakeholders is therefore what fare levels best balance passenger and supply incentives.

Question 6. What issues and benchmarks should the Commission consider in balancing operator and passenger incentives?

Invitation for submissions

Submissions are due by 5pm on **21 June 2013**.³ We would prefer to receive submissions via email to:

shareridetaxipilot@esc.vic.gov.au

Alternatively, submissions may be mailed to:

Share-ride taxi pilot
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

³ While the Commission's standard approach is to allow a 4 week period for submissions, the tight timeframes associated with this review have required a shorter period. This shorter period has been chosen on the basis of balancing the need of stakeholders to have sufficient time to make a submission with the Commission's requirements to complete the review on time. Further, since the share-ride concept is only a pilot at this stage, there is likely to be further opportunity for stakeholder input if the service is to become a permanent feature of Geelong's late night travel options.

The Commission will publish all submissions on its website. Stakeholders should expressly identify any confidential or commercially sensitive information that they believe should not be published — the Commission will not publish information that is confidential or commercially sensitive.⁴

Any questions about this issues paper can be directed to Nick Hague on 03 9032 1344 or Patrick Ho on 03 9032 1351.

⁴ The Commission's Charter of Consultation and Regulatory Practice, which includes details on the publication of submissions, is available from the Commission's website, www.esc.vic.gov.au.

This chapter considers the terms of reference for this review and outlines the role of the Commission and process and timelines for the review.

2.1 Terms of reference

On 14 May 2013, the Commission received terms of reference for a review of taxi fares for a late night, share-ride taxi pilot from the Minister for Public Transport (the Minister). Appendix A presents the letter and the terms of reference from the Minister.

The terms of reference require the Commission to advise on an appropriate fixed-fare structure for a pilot program of late night, share-ride taxi trips utilising high occupancy taxis operating from the Safe City Taxi Rank at 95–113 Moorabool Street Geelong.

The terms of reference set out a number of matters the Commission's report and advice should be consistent with, including:

- the taxi driver receiving payment equal to or greater than the comparable taxi fare calculated by a taximeter according to time and distance, and
- passengers should each make a saving in comparison to hiring a taxi exclusively for their own use.

Further, the Commission is to have regard to findings contained in the Taxi Industry Inquiry's (Inquiry's) draft and final reports and the operational details provided by Geelong Taxi Network (see chapter 3 of this issues paper).

2.2 The role of the Commission in taxi fare setting

Under section 144A (2) of the *Transport (Compliance and Miscellaneous) Act 1983* (the Transport Act), the Minister for Public Transport must, before changing the schedule of taxi fares, refer the matter to the Commission and receive a report from the Commission.

2.3 Review process and key dates

The Minister's terms of reference require the Commission to conduct its review in a manner as described in section 187 of the Transport Act (see appendix B). In summary, section 187 provides that the Commission: may conduct an investigation in any manner it deems appropriate; may receive written submissions or

statements; may hold public hearings; and may consult with any person it considers appropriate.

The Commission conducts its reviews in an open and transparent way, inviting input from interested parties.

In view of the tight timelines for this review, the Commission will not be releasing a draft report for comment. Therefore, interested stakeholders are encouraged to make submissions on the issues raised in this paper to inform the Commission's report. The Commission will also meet with stakeholders throughout the review process. The Commission will consider information from submissions, stakeholder meetings and its own analysis before preparing its report and advice for the Minister.

Table 2.1 presents indicative timings for the review.

Table 2.1 **Review process**

<i>Activity</i>	<i>Timing</i>
Receipt of terms of reference	14 May 2013
Issues paper release	31 May 2013
Submissions close on issues paper	21 June 2013
Stakeholder consultations	June 2013
Report to Minister	by mid July 2013

3 THE PROPOSED PILOT

This chapter discusses the objectives of the share-ride taxi pilot, relevant findings of the Victorian Taxi Industry Inquiry draft report and how the proposed pilot would operate.

3.1 Core objective of the pilot

The stated core objective of introducing the late night share-ride taxi service is to grow the taxi market and maximise taxi occupancy by providing passengers with an incentive to share a high occupancy taxi with others travelling in the same general direction, thereby relieving pressure on conventional taxi services.

Meeting this objective provides a number of related benefits.

Meeting demand for late night transport services

There are no train or tram services for Geelong's urban and surrounding areas. Apart from taxis, the only late night public transport option is the Central Geelong NightBus service, which operates on Sunday mornings from 1.30am to 4am.⁵

Therefore, the underlying benefit of the proposed program is moving people swiftly from the Geelong CBD.⁶

Lifting occupancy rates and utilising resources more efficiently

The Geelong Taxi Network has indicated that taxis operating from the Safe Rank carry on average two passengers. By using maxi taxis to carry a minimum of six passengers under the share-ride scheme, utilisation of taxi resources is increased.

Similarly, the Victorian Taxi Association has noted the declining occupancy rates of both metropolitan and country taxis, and it has an ongoing focus on lifting

⁵ There are four NightBus routes which service over 20 suburbs around Geelong, the Bellarine Peninsula and the Surf Coast. In total there are seven departures, i.e. two departures on three routes, and one departure on the remaining route.

⁶ In December 2005 a number of 'NightLink' transport services were introduced in Brisbane for similar purposes, i.e. meeting late night demand. One of these services was a share-ride taxi scheme. For similar reasons, the VTA piloted a share-ride taxi scheme (Melbourne Cab Share) from December 2012 to February 2013.

occupancy rates. It has also noted that Melbourne maxi taxis operating during the late night and early morning period are rarely occupied to their full capacity.

By meeting the core objective of maximising taxi occupancy, the share-ride taxi pilot has the potential to increase the use of these underutilised existing resources.

3.2 Supplementary objectives of the pilot

Providing the right price and revenue incentives

In order to achieve the core objective of maximising taxi occupancy through share-ride taxi services, an appropriate fare structure is required to provide the right incentives for both drivers and passengers. That is, the fare must be attractive for both drivers and passengers for them to provide and use share-ride taxis respectively. For passengers who would otherwise catch a standard taxi by themselves, the share-ride fare must be cheaper than a standard taxi trip to their destination (if travelling in a group of two to four (and therefore can travel in a standard taxi), the *total* share-ride fare for the group needs to be cheaper than the corresponding standard taxi fare).⁷ On the operator side, drivers must collect at least enough revenue from the share-ride taxi service as they would if they operated their taxi under normal circumstances (a regular metered fare).

Therefore, to achieve the pilot's core objective, a related supplementary objective is to offer an appropriate fare structure that provides the right incentives for both drivers and passengers. This objective is reflected in the terms of reference for this review (appendix A) and is discussed in section 4.1 of this issues paper.

3.3 The Victorian Taxi Industry Inquiry

Of particular relevance to the Commission's review are the Victorian Taxi Industry Inquiry⁸ (the Inquiry) recommendations focussing on increasing the ability of the industry to provide new and innovative services such as share-ride trips.⁹

⁷ The fare and overall service provided by a share-ride taxi must also compensate for the longer journey time that passengers will face. This will particularly be the case for those passengers who are furthest from the Geelong CBD, as their journey will no longer be direct to their destination but will involve whatever route is required to first drop off the other passengers.

⁸ On 28 March 2011, the Victorian State Government announced a major independent inquiry into the Victorian taxi and hire car industry. The Taxi Industry Inquiry was required to undertake a comprehensive investigation into all aspects of the taxi and hire car industry and recommend a set of reforms focused on achieving better outcomes for the travelling public. The Inquiry provided its final report to the Victorian Government on 28 September 2012.

⁹ On the 28 May 2013 the Victorian Government issued its response to the Taxi Industry Inquiry's final recommendations. The Government supported the recommendations

In its draft report the Inquiry outlined the potential for share-ride taxi services to operate in Melbourne. In particular, the Inquiry noted that:

Another potential opportunity exists for 'new' taxi services in the Melbourne CBD on Saturday and Sunday in the early hours of the morning. Taxi-bus or share ride services could help to move large numbers of people out of the CBD quickly and safely, and at a lower cost per passenger than the metered fare.¹⁰

Further, the Inquiry noted that such a service has been operating in Brisbane since 2005.

The Inquiry's final report included a number of recommendations relevant to taxi share-ride schemes. Section 11 of the Inquiry's final recommendations focussed on removing impediments to offering new and more flexible taxi services and better integrating taxi services with other public transport options (in particular, giving consideration to funding or utilising taxis as a complement or alternative to community and public transport). The Inquiry's final recommendation is that regulatory arrangements impeding fixed fare or fixed route taxi services should be removed, stating:

Legislation, and other impediments associated with fare setting, hindering the introduction of group hire services such as share rides and taxi shuttles should be removed.¹¹

The Commission notes that these regulatory changes may be necessary to accommodate share-ride pilot schemes.

Section 12 of the Inquiry's final recommendations relates to removing distortions caused by current fares, and increasing competition and innovation by allowing service providers to compete on price. Of particular relevance to this review is final recommendation 12.9, which states:

Fares should be restructured to... 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)...¹²

associated with share-ride taxi services. Its response is available from www.taxi.vic.gov.au/taxi-reform.

¹⁰ Victorian Taxi Industry Inquiry 2012, *Customers first: service, safety, choice*, Draft report, May, p. 448.

¹¹ Victorian Taxi Industry Inquiry 2012, *Customers first: service, safety, choice*, Final report, September, p. 29.

¹² Victorian Taxi Industry Inquiry, p. 30.

As required by the terms of reference, the Commission's intention is to assist by recommending that fares are set at a level that incentivises supply and use of the share-ride service.

Recommendation 12.1 provides that regulated fares should move from prescribed (fixed) fares to maximum fares, thereby allowing discounting. Further, recommendation 12.5 adds that the meter should be run to record the maximum fare and that drivers be allowed to provide discounts off the meter rate.¹³ While these recommendations are intended to promote price competition between taxi operators, they could also be applied to the share-ride taxi service to allow for flexibility in the fare structure through discounting from the set fare. The options of discounting are discussed further in section 4.3.

3.4 The proposed pilot

Geelong Taxi Network proposes to implement a late night, share-ride taxi pilot, which has been endorsed by the VTD. The pilot is to provide 'flat fare' share-ride taxis using the existing fleet of maxi taxis — van-style taxis with capacity for at least five passengers, with the majority able to carry ten or eleven passengers. The pilot is planned to operate from 1am to 6am Sunday mornings, departing from the Safe Rank at 95–113 Moorabool Street Geelong. The Network has proposed a two zone fare structure, with a \$15 fare per passenger for inner zone destinations, and a \$30 fare for travel to the outer zone. These fare levels include a levy for additional rank marshals and security.¹⁴

Under the operational details proposed by the Network, there will be no set timetable or direction for share-ride taxis.¹⁵ A share-ride service will depart when there is a sufficient number of passengers (the Network suggests a minimum of six) travelling in the same general direction. The next maxi taxi (participating in the pilot) through the rank will pick up the passengers. If there are no groups ready, the maxi taxi will be able to pick up a standard fare.

¹³ Victorian Taxi Industry Inquiry, p. 30.

¹⁴ In addition to the planned Geelong pilot, a share-ride pilot has recently been trialled in Melbourne. Following the release of the Inquiry's draft report in May 2012, the VTA outlined a proposal to trial late night, share-ride taxis similar to Brisbane's NightLink taxi scheme. The VTA's six month Melbourne pilot subsequently commenced in December 2012; however it ended in February 2013 after failing to attract any passengers.

¹⁵ This differs to the VTA's pilot in Melbourne which had a starting point of four services every half hour in the general directions of north (towards Broadmeadows), south (towards Dandenong), east (towards Lilydale) and west (towards Werribee) — though these routes are flexible around the mix of passengers in the share-ride rank, e.g. multiple services could travel in the same general direction, at the same time.

Operational details

The VTD has endorsed Geelong Taxi Network's operational details for the pilot. These details are summarised in box 3.1 and discussed below.

Box 3.1 Summary of proposed pilot – operational details

Frequency and routes

- Initially to run from 1am – 6am every Sunday morning.
- No set timetable or direction, but flexible based on demand.

Passenger Numbers

- A minimum number of six passengers per trip.

Ranks

- The pilot is to operate from the rank at 95–113 Moorabool Street Geelong.
- Security and rank marshals to collect fares and organise waiting passengers into groups travelling in same direction.

Fare structure and zones

- Two zones – an inner zone encompassing urban Geelong, and an outer zone approximately bounded by Lara, Bannockburn Central, Torquay and the Bellarine Peninsula. Share-ride taxis will not travel beyond the outer zone.
- Separate flat fares to apply to the inner and outer zones.

Payment mechanisms

- Payment will be cash only paid to the rank marshal, who will note down passenger destinations and pass the fares to the driver at the beginning of the journey.

Supply of drivers and vehicles

- Approximately 10 maxi taxi operators will be identified to participate in the pilot (e.g. based on willingness, industry experience, local knowledge), although the Network would like to have all maxi taxis listed as part of the pilot, and therefore able to participate if demand requires.

Rank marshals

The use of a rank marshal (or marshals) to organise passengers into share-rides is an essential element of the program. The primary role of the rank marshals is to explain the share-ride concept and flat fare to potential passengers, and arrange the passengers into appropriate share-rides.

Rank marshals will need experience in the industry and knowledge of Geelong and its surrounding areas, as well as excellent customer service skills. The role and skill of the rank marshals is also important in encouraging passengers to use the service (e.g. canvassing the taxi rank for potential share-ride passengers),

minimising wait times and managing the expectations and frustration of passengers (particularly if demand for the service is greater than the supply or passengers must wait for others travelling in a similar direction in order to meet minimum passenger numbers, discussed below).

Geelong Taxi Network has suggested that rank marshals are to be user funded through a marshal levy included in the flat fare.

Fare structure and zones

One of the objectives of the pilot is to offer an appropriate fare structure to provide the right incentives for both drivers and passengers to participate in the program. An important factor in determining the appropriate fare structure is the number and boundaries of fare zones. Geelong Taxi Network is proposing an inner zone (largely corresponding to urban Geelong within the M1 and Leopold to the east) and an outer zone (which takes in the Bellarine Peninsula to the east, Torquay to the south, Bannockburn to the west and Lara to the north).

Payment

Under the proposed pilot, payment of the fare is to be made upfront to the rank marshal (in cash only), who will also record the destination details of the passengers. The fares and destination details will be passed to the driver before departure. This is consistent with existing prepayment requirements between 10pm and 5am, and decreases the risk to drivers that passengers will not pay the fare at the end of the trip.

The Commission notes that a single payment, including any marshal levy, made upfront is the simplest and may be the most suitable method of payment. For example, separate payments of the marshal levy and the share-ride fare (requiring passengers to make multiple transactions) would increase complexity and administration costs.

The Network will use the 'Safe City Taxi Voucher System' introduced by Victoria Police in Geelong. This system will provide the passenger with a receipt for the fare, with fare information also provided to the driver and the City of Greater Geelong.

Passenger numbers

For a share-ride taxi service to be attractive to drivers, it must be more profitable than a comparable trip at the standard metered fare. Whether a share-ride trip is more profitable will depend on the number of passengers, their destinations and the fare level.

The terms of reference require that the Commission's report and advice be consistent with '*the appropriate passenger numbers per share-ride taxi trip to ensure the service is both viable for the taxi industry and attractive to taxi users*'.

Geelong Taxi Network in its operational details has suggested that the minimum number of passengers be six. The Commission will include this suggestion as part of its analysis.

Infrastructure

It is proposed that Geelong's share-ride taxis will operate through the existing Safe City Taxi Rank at 95–113 Moorabool Street Geelong. Hence, no new significant infrastructure will be required for the pilot. Geelong Taxi Network's operational details do not indicate whether new signage or advertising for the scheme will be provided. While there may be small costs involved in this, since they will not be recouped through fares, they do not impact on the Commission's analysis of fares.

4 | ISSUES FOR COMMENT

This chapter considers a number of issues in determining fares for late night, share-ride taxis.

As required by the terms of reference, the Commission is to provide advice on fares for the late night, share-ride taxi pilot. In providing this advice, the Commission has considered:

- fare zones — should Geelong Taxi Network’s zone proposal be adopted for the pilot,
- the approach to pricing — that is, how should the level of late night, share-ride taxi fares be set, and
- fare structures — what type of fares should be available to passengers (e.g. single, double and group fares).

4.1 Establishing zones

An issue for the Commission in determining the share-ride taxi fare structure is the extent to which Geelong and its surrounding areas should be separated into fare zones. Public transport fares (e.g. rail, bus and ferry fares) in Australia and overseas are frequently based on travel zones (also called sectors). For example, Melbourne is separated into two zones for the purposes of charging fares for rail, tram and bus services. Establishing zones simplifies the setting of public transport fares — it effectively allows for the ‘averaging’ of fares within each zone, compared to a fare system based on actual distance travelled, i.e. point-to-point distance (as for a standard metered taxi fare).

Trade-offs in establishing the number of zones

In determining the number of zones, there are a number of trade-offs and issues that the Commission must consider.

- **Simplicity and insufficient gradation** — fewer zones provides for a simpler fare schedule: simpler to administer and simpler for the travelling public to understand. However, fewer zones and a lack of gradation are likely to imply a greater degree of averaging in the level of fares within each zone, which could raise cross-subsidy issues (see below).
- **Complexity and cost reflectivity** — the higher the number of zones, the more complex the fare schedule: this will increase the costs of administering the

schedule and will be more difficult for the public to understand. However, as the number of zones increases, fares may become more cost reflective.

- **Cross-subsidies** — since fares are averaged within each zone, people in the inner parts of each zone may be seen to be subsidising those who live in the middle and outer parts of the zone. As the number of zones decreases, the extent of subsidisation increases.

Geelong Taxi Network has suggested a two zone structure based around Geelong's inner suburban areas (the inner zone) and areas beyond this (the outer zone). Having multiple zones promotes cost reflectivity in the fare structure. The scheme appears to have a good level of cost reflectivity. Promotion of cost reflectivity has the potential to make the share-ride pilot attractive to more users.

Regardless of the number of zones, any zone based fare system will involve a degree of 'averaging' — within each zone, fares will not be fully cost reflective, with the implication that some potential share-ride taxi users might be better off taking a standard taxi. This has been recognised by the Queensland Department of Transport and Main Roads, who together with industry stakeholders implemented a late night, share-ride taxi scheme in Brisbane. The Queensland Department notes on its website that:

*TransLink zones 1 to 6 have been adjusted for NightLink FlatFare taxis to identify the 'inner' parts of these zones. **The inner parts of a zone are cheaper to travel to on a metered fare** [emphasis added] but attract a lower FlatFare than the outer part of the zone.¹⁶*

In such cases, potential passengers can 'self select', i.e. they would only use a share-ride taxi if it was a competitive option.

Given the above discussion, the issue for the Commission (and stakeholders) in establishing the number of fare zones is the trade-off between simplicity, cost reflectivity and cross-subsidisation.

Trade-offs in establishing the number of zones

Question 1. *Is the zone structure proposed by Geelong Taxi Network a reasonable starting point for the share-ride taxi pilot? If not, what alternatives should be considered?*

¹⁶ Queensland Department of Transport and Main Roads 2012, *NightLink FlatFare taxi service*, accessed at www.tmr.qld.gov.au/Travel-and-transport/Taxis/Taxi-safety-initiatives/Nightlink-flatfare.aspx on 17 May 2013.

4.2 Approach to setting late night, share-ride fares

To guide the Commission in the setting of fares for the share-ride taxi pilot, the terms of reference contain some matters to be taken into account. The following sections discuss these and other issues (assumptions) the Commission believes are relevant for fare setting.

The depth of analysis that the Commission will be able to undertake will be limited by the tight timeframes for this review, and the lack of some information (e.g. about passenger behaviour) that inevitably arises because the share-ride taxi scheme is a pilot (i.e. is a new service). Nevertheless, the Commission has endeavoured to develop a recommended fare structure for the share-ride pilot that is based on a robust methodology and that appropriately balances the interests of drivers/operators and passengers.

Matter 1: The driver should receive payment equal to or greater than the comparable taxi fare calculated by a taximeter according to time and distance.

If the pilot is to succeed and the share-ride service becomes a permanent feature of Geelong's taxi services, drivers and operators must see a benefit in providing the early Sunday morning share-ride service compared to standard taxi services (or not having the taxi on the road at all) during those times. This matter establishes that the fare revenue from a share-ride trip will be at least as great as the 'comparable' taxi fare calculated by a taximeter.

There may be two benchmarks when considering the 'comparable' trip:

- Option 1: a trip to the same destination — for a given share-ride taxi trip to a specific final destination (i.e. an equivalent trip destination), the metered farebox revenue at the standard (or HOV) fare (potentially including an allowance for the extra distance required to be travelled to drop-off intermediate passengers on a share-ride trip) could be compared to the share-ride farebox revenue (this interpretation would appear to closely reflect the terms of reference), or
- Option 2: earnings over equivalent time period — drivers/operators may compare the earnings potential of operating a share-ride taxi versus standard operations over a given period of time. For example, if a share-ride trip (including any waiting time) to the outskirts of the Bellarine Peninsula would take 45 minutes, the farebox revenue for this trip could be compared to the earnings that would otherwise have been earned over that period (this may be a broader interpretation of the term 'comparable taxi trip' from the terms of reference).

Regardless, this matter recognises that drivers/operators will need to choose between their existing Sunday morning operations or the option of participating in the share-ride pilot.¹⁷

To meet this matter, the Commission will test fare options against a wide range of trip scenarios (i.e. passenger numbers and destination options) to ensure drivers are better off compared to providing a standard taxi service.

Matter 2: The service should present a viable alternative to taxi users who individually may seek a lower cost taxi trip than hiring a taxi exclusively for their own use.

For share-ride taxis to be attractive to passengers, they need to offer benefits compared to a standard taxi trip. This matter establishes that passengers will make a saving in a share-ride taxi compared to a standard taxi service.

To meet this matter, the Commission will use existing standard taxi fares (including the late night fee) to locations intended to be served by the pilot as a benchmark. The Commission can then compare these fare levels to the share-ride taxi fare.

Since a zone-based fare structure implies some averaging of fares, it may not be possible to develop a structure that provides a cheaper share-ride fare for every destination. This issue has been noted in the context of the Brisbane scheme.

The Commission also notes that potential passengers may consider the extra time that is likely to be associated with a share-ride trip. As noted in section 3.2, most passengers may face a longer journey time to their destination because other passengers that live closer to the CBD are dropped off first. This issue is difficult to analyse and there are limits to what analysis can be completed before the Commission reports to the Minister. It is unclear at this stage how passengers will feel about the extra travel time. However, the pilot provides the opportunity for people to test the service and determine the attractiveness of it to their personal circumstances. The Commission suggests that Geelong Taxi Network collect data on passenger trip destinations as part of the pilot, as this can potentially be used to refine the service.

¹⁷ Note that under the pilot, Geelong Taxi Network is to select drivers/operators to participate in the share-ride scheme. Hence on a given Sunday morning during the pilot, only HOV drivers/operators who are part of the pilot will be in a position to choose between providing standard or share-ride taxi services.

Matter 3: The pilot service is to apply to the Geelong urban area, the Bellarine Peninsula, south to Torquay/Jan Juc and specified areas to the north and west.

In order to assess fares, the Commission needs to know precisely what area is to be covered by the pilot.

Matter 4: Each share-ride taxi leaving the rank will be carrying the appropriate passenger numbers to ensure the service is both viable for the taxi industry and attractive to taxi users.

The average number of passengers carried by a share-ride taxi is important as it flows through to scenarios estimating fare revenue.

The Commission's analysis when developing fare levels will test a range of passenger number scenarios. Passenger number assumptions are also important if rank marshals are funded through a fare levy (in order to determine the levy amount).

As part of the pilot, it will be important that accurate statistics are kept on passenger numbers per taxi (and, ideally, destination suburbs also). Statistics on passenger numbers would be useful if the Commission were asked to advise on adjustments to fares following the pilot.

Approach to setting late night, share-ride fares

Question 2. Is the Commission's proposed approach involving the consideration of operator and passenger incentives reasonable?

Question 3. Are there other matters that the Commission should consider as part of its approach?

4.3 Fare structure options

Current taxi fares

In Victoria there are three taxi fare schedules, covering the Metropolitan and Outer Suburban taxi zones, the Urban taxi zone and the Country taxi zone. Geelong is classified as an 'urban' taxi zone. The current fare schedule for taxi services originating in Geelong was set in December 2008 and is presented in table 4.1. Of most relevance to consideration of a fare for late night, share-ride taxis are the late night surcharge and the multiple hire rate. These are discussed below.

Table 4.1 Urban taxi fare schedule

<i>Fare Component</i>	<i>Tariff</i>
Booking fee (\$)	2.10
Standard taxi fare	
Flagfall (\$)	3.20
Distance rate (\$/km)	1.634
Waiting rate (c/min when speed < 21 km/hr)	57.2
Maxi taxi fare (5-11 passengers)	
Flagfall (\$)	3.20
Distance rate (\$/km)	2.451
Waiting rate (c/min when speed < 21 km/hr)	85.8
Multiple hiring	
% of metered fare at destination (maximum)	75%
Late night surcharge (midnight – 6am)	
Urban fare	\$3

Late night fare

In Geelong (and other areas classified as an Urban taxi zone) a \$3 surcharge applies to late night taxi fares. The surcharge applies between midnight and 6am every morning.

For a share-ride taxi to be attractive to potential passengers, its fare should be less per passenger than would apply for a standard taxi trip.

Multiple hire option

The current fare schedule allows for multiple hiring, i.e. for unacquainted people to share a trip from a common starting point to their specific drop-off points. It provides that at each drop-off point, the passenger(s) alighting will pay no more than 75 per cent of the metered fare at that point. Drivers clearly benefit from this. However, the discount for passengers does not appear to provide strong incentives to organise such a hiring. The Taxi Industry Inquiry noted:

This multiple hire arrangement is little known and is confusing to passengers... For some people, it appears that the prospect of a

25 per cent reduction in the fare is insufficient incentive to give up the privacy of not sharing a cab.¹⁸

The share-ride pilot is looking to make multiple hire arrangements more attractive by providing a simplified fare structure and organising groups travelling in the same general direction.

Flat fare structure options

The simplest fare structure option is to have a single price applying to the whole of the area to be served by the pilot — effectively a single price and single zone fare structure. Geelong Taxi Network has proposed a two zone fare structure for the pilot, with a per passenger fare applying for each zone.

Some additional issues under consideration are whether fares should vary with group size and whether discounting of set fares should be allowed. These matters are discussed in turn.

Fares for passengers travelling to the same destination

The Network proposes a per passenger fare of \$15 for destinations within the inner zone and \$30 for the outer zone (including a marshal levy).

This differs from the Queensland scheme where single, couple and group (five or more people) fares are available. The couple and group fares are available only if those users are being dropped off at the same location (additional charges apply if there are different drop-off points).

The couple and group fares provide for a lower per person fare compared to the single fare. A similar 'discount' is available with standard taxis, i.e. by travelling with others, the cost per person is reduced. Such fare options for share-ride taxis would be expected to increase its attractiveness given the greater choice and flexibility. Conversely, providing for couple and group fares increases the complexity of the fare schedule.

An alternative to couple and group fares is an 'additional' passenger fare for people going to the same location. For example, under Geelong Taxi Network's \$15/\$30 proposal, additional passengers going to the same location could pay \$5 if the location is in zone 1, or \$10 for zone 2 (i.e. for a group travelling to a zone 1 location, the first passenger would pay \$15, while additional passengers going to the same location would pay \$5 each. For zone 2 the additional passenger charge is \$10). This discount for additional passengers going to the same destination reflects efficiency gains for the driver, who now makes fewer stops compared to

¹⁸ Victorian Taxi Industry Inquiry 2012, *Customers first: service, safety, choice*, Draft report, May, p. 448.

carrying the same number of passengers (none of which are travelling to the same destination).

As the Geelong Night Link taxi scheme is only a pilot at this stage, it could be argued that its fare structure should be relatively simple, with potential adjustments in the future depending on the success of the pilot. A further argument in favour of a relatively simple fare structure is that share-ride taxis are not meant to replace standard taxi travel, rather they provide an alternative that potential passengers can consider. On the other hand, people travelling together in a standard taxi can split the fare, which may compare favourably to each of them paying a fixed fare for a share-ride taxi.

Fares for friends travelling together

Question 4. *Should a single per passenger fare for each zone (with no discounts for group travel) be adopted for the share-ride taxi pilot (as per Geelong Taxi Network's proposal)? Or should other alternatives be considered?*

Discounts off the set fare

In its final report the Taxi Industry Inquiry recommends that regulated taxi fares should move from being prescribed fares (fixed) to maximum fares (allowing discounting). Final recommendation 12.1 provides for maximum fares and discounts off these fares (with maximum fares also being recorded on the taximeter). While this recommendation is intended to promote price competition, it could also be applied to the share-ride taxi service to allow for flexibility in the fare structure.

For example, if there is poor utilisation of share-ride taxis during the pilot, establishing fares as maximums would allow Geelong Taxi Network to reduce fares in order to attract greater custom.

Discounts off the set fare

Question 5. *Should the share-ride taxi fares be established as maximums rather than prescribed rates, so as to provide flexibility for Geelong Taxi Network to adjust fares down during the pilot if required?*

4.4 An initial analysis of fare levels

This section provides an example of the type of analysis and issues the Commission will have to consider in analysing Geelong Taxi Network's proposal and determining a suitable share-ride fare structure. For simplicity, the discussion adopts the Network's zone structure and considers operator and passenger

incentives (consistent with matters 1 and 2 discussed in section 4.2) under Geelong Taxi Network's \$15/\$30 fare proposal.

As the pilot is likely to include a marshal levy (see section 3.4), our analysis will assume that this levy is included in the \$15/\$30 fare proposal. However, the analysis of operator incentives will subtract the levy from farebox revenue calculations since these payments will not be kept by the driver.

Two scenarios are considered:

- scenario 1 assumes a marshal levy of \$2 per passenger, and
- scenario 2 assumes a levy of \$5.

Passenger incentives

In considering the incentives for passengers to use a share-ride taxi, a key consideration will be the comparison between the cost of using a share-ride taxi rather than paying the fare charged in a metered, standard taxi. This comparison needs to recognise that fares in the share-ride taxi are charged *per passenger*, whereas groups (of up to four passengers) *can share* the metered fare in a standard taxi.

The Commission's preliminary analysis is shown in table 4.2, which includes the concept of a fare boundary. This refers to the taxi trip distance from the Geelong CBD where the standard fare switches from being cheaper to more expensive than the share-ride fare. The location of the fare boundary changes depending on whether a person is travelling with others (e.g. family, friends etc) to the same destination. For example, for an individual, the fare boundary is calculated by comparing the standard fare to a single share-ride fare. However, if two people are travelling together, the standard fare (i.e. the total cost of the standard taxi trip) is compared to twice the share-ride fare (i.e. the total cost of the share-ride trip for those two people travelling together).

In considering the fare boundary information, it is important to note that the boundaries of Geelong Taxi Network's proposed zones are not concentric, for example, zone 1 extends 5 to 16 kilometres from the Moorabool rank depending on direction (to the edge of Herne Hill and Waurm Ponds respectively) and the outer limits of zone 2 are between 21 and 36 kilometres (to the edge of Lara and Indented Head respectively). The fare boundaries in table 4.2 do not necessarily fall within these limits, but are rather based on the estimated travel distance that each fare covers, at the standard late night rate.

The fare boundary outcomes under scenarios 1 and 2 in table 4.2 are the same, since in both cases passengers pay the same (total) fare, i.e. we assume the cost to the passenger is the same regardless of the level of the marshal levy.

Table 4.2 Summary of passenger incentives

Standard fare scenarios		
Std fare (5 – 15km trip) – zone 1 ^a	\$16 - \$35	
Std fare per head		
2 passengers	\$8 - \$17	
3 passengers	\$5 - \$12	
4 passengers	\$4 - \$9	
<hr/>		
Std fare (10 – 35km trip) – zone 2 ^a	\$25 - \$72	
Std fare per head		
2 passengers	\$13 - \$36	
3 passengers	\$8 - \$24	
4 passengers	\$6 - \$18	
<hr/>		
Share-ride fare scenarios (example only)		
	<u>Scenario 1 & 2</u>	
	\$15	\$30
	(zone 1)	(zone 2)
Fare boundary (if 1 pax) (km)	4.4	12.5
Fare boundary (if 2 pax) (km)	12.5	28.6
Fare boundary (if 3 pax) (km)	20.5	44.7

^a Fare estimates include flagfall, distance charge, the late night surcharge and an allowance for waiting time, and have been rounded to the nearest dollar. Further, the fare range is the same regardless of the share-ride fare level, as the range applies to a standard taxi trip.

Based on the information presented in table 4.2, the Commission notes:

- For trips of 5 – 15km at the standard¹⁹ late night rate, fares range from \$16 – \$35. Potential passengers (travelling alone) would compare this to the share-ride fare (\$15/\$30).
 - If travelling with others, any standard fare would be split between multiple passengers, hence the fare per person would be lower. For example, for 3 people travelling together, the standard fare range of \$16 – \$35 is equivalent to a per head fare range of \$5 – \$12. For these multiple passenger groups, each individual could compare the lower per person fare to the share-ride fare. (Or

¹⁹ The standard fare applies to taxis carrying four or less passengers, or a HOV carrying a wheelchair passenger. Current standard taxi fares are presented in table 4.1.

alternatively, the total standard fare could be compared to the total share-ride cost for the group as a whole (e.g. the total share-ride cost is \$90 for 3 people travelling to zone 2 when the share-ride fare is \$30 each)).

- In terms of share-ride fare incentives under scenarios 1 and 2:
 - zone 1 passengers will benefit when travelling alone, at distances greater than 4.4 kilometres from the CBD.

For passengers in groups of two in zone 1, only those whose destination is beyond 12.5 kilometres from the Geelong CBD will benefit from taking a share-ride taxi. For passengers in groups of three a standard taxi will be cheaper for all of zone 1.
 - in zone 2 a passenger travelling alone will save by taking a share-ride taxi if their destination is at least 12.5 kilometres from the CBD. Those customers travelling in pairs will need to travel beyond 28.6 kilometres of the departure point to make a comparative saving. The share-ride taxi would not be a cheaper option for any of the serviced areas for groups of three or more.

This initial analysis indicates that if people usually travel with others, then the attractiveness of the share-ride service (at the \$15/\$30 fare level) is quickly eroded, and the pilot may struggle to generate demand.

Operator incentives

Table 4.3 summarises information relevant for assessing operator (i.e. driver) incentives. Here, the total fare revenue received by the share-ride taxi operator under the two fare scenarios and different passenger numbers is compared to the total fare that would be received under a standard taxi trip (of different distances). This approach is consistent with option 1 discussed in section 4.2 of this issues paper. At this point the Commission does not have the required information to assess operator incentives under option 2. This would require detailed information on taxi trips during the early hours of Sunday mornings, including average farebox revenue, as well as origin and destination of trips.

Table 4.3 Summary of operator incentives

Standard and HOV fare scenarios ^a

Std fare (5 – 15km trip) – zone 1	\$16 - \$35
Std fare (10 – 35km trip) – zone 2	\$25 - \$72
Std fare 50km trip	\$100

Share-ride farebox scenarios (\$15 zone 1 fare, \$30 zone 2 fare) ^b

	<u>Scenario 1</u> <u>(\$2 levy)</u>		<u>Scenario 2</u> <u>(\$5 levy)</u>	
	<i>Min</i>	<i>Max</i>	<i>Min</i>	<i>Max</i>
6 pax farebox	\$78	\$168	\$60	\$150
7 pax farebox	\$91	\$196	\$70	\$175
8 pax farebox	\$104	\$224	\$80	\$200
9 pax farebox	\$117	\$252	\$90	\$225
10 pax farebox	\$130	\$280	\$100	\$250
11 pax farebox	\$143	\$308	\$110	\$275

^a Fare estimates include flagfall, distance charge, the late night surcharge and an allowance for waiting time, and have been rounded to the nearest dollar. Further, the fare range is the same regardless of the share-ride fare level, as the range applies to a standard or HOV taxi trip.

^b Note that the minimum and maximum farebox amounts are calculated with respect to the amount received by the driver after the assumed marshal levy is removed. For scenario 1 an assumed \$2 levy is removed, and for scenario 2 a \$5 levy is removed.

Based on this summary information, the Commission notes:

- Under scenario 1, the farebox revenue for each share-ride trip would range from \$78 – \$308 (based on a minimum of 6 passengers to zone 1 and a maximum of 11 to zone 2).
- Under scenario 2, this range decreases to \$60 – \$275 (since the marshal levy is higher).
- These farebox revenue ranges compare to:
 - a farebox range of \$16 – \$35 for trips ranging from 5 – 15km (i.e. a proxy for zone 1 trips) at the standard fare (the standard fare may be a relevant comparator if the majority of HOV taxis are usually carrying 4 or less passengers, and hence cannot charge the higher HOV fare)
 - a farebox range of \$25 – \$72 for trips ranging from 10 – 35km (i.e. a proxy for trips to zone 2 destinations)
 - standard farebox revenue of \$100 for a 50 kilometre trip (noting that the limit of the area to be served is 36 kilometres (to Indented Head) from the Geelong CBD, the 50 kilometre trip comparison

provides a 39 per cent distance allowance to recognise that share-ride trips are not direct to the last drop-off, but will involve ‘detours’ to drop off other passengers). It is clear that, based on the operator side comparators presented in table 4.3, regardless of the assumption on the level of the marshal levy, share-ride farebox revenue is higher than the comparator standard taxi fare, and in some cases significantly higher.

- The standard taxi fare of up to \$35 for trips within zone 1 compares to minimum share-ride farebox revenue of \$60 (scenario 2) – this equates to additional revenue of 71 per cent.
- The standard taxi fare of up to \$72 for trips to zone 2 compares to minimum share-ride farebox revenue of \$150 (scenario 2) – this equates to additional revenue of 108 per cent.
- In most cases, share-ride farebox revenue is higher than the standard taxi fare for a 50 kilometre trip (\$100).

This suggests a strong incentive for operators to supply share-ride services at the \$15/\$30 fare level. Passengers, however, especially those travelling in larger groups, are presented with low incentives to use a share-ride taxi. A zone 1 fare of \$15 would discourage all passengers travelling with a friend to within 12.5 kilometres of Geelong’s CBD and thus potentially remove a significant part of the scheme’s customer base.

Balancing operator and passenger incentives

There is a trade-off between driver and passenger incentives. Increasing returns to drivers/operators comes at the detriment of users — with higher fares resulting in fewer areas having the share-ride taxi as the cheaper taxi option. However fares set too low would result in drivers opting not to provide the share-ride service.

In order to ensure the participation of both taxi drivers and passengers, the fare structure must provide both with suitable incentives. Drivers must receive higher farebox revenue under a Geelong Night Link taxi trip compared to a comparable standard fare, and passengers will need to face a lower Night Link fare compared to a standard taxi fare. Any fare increase can benefit drivers in terms of higher farebox revenue, but passengers would be worse off. The Commission must come to a decision on how it will balance these incentives in its recommendation for a fare structure.

An initial analysis of fares

Question 6. *What issues and benchmarks should the Commission consider in balancing operator and passenger incentives?*

APPENDIX A | TERMS OF REFERENCE



**Minister for Public Transport
Minister for Roads**

Ref: MBN017051R

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Dear Dr Ben-David

**REVIEW OF TAXI FARES – NOTICE OF REFERENCE UNDER SECTION 186
OF THE TRANSPORT (COMPLAINE AND MISCELLANEOUS) ACT 1983**

Under Division 9 of Part VI of the *Transport (Compliance and Miscellaneous) Act 1983* (the Act) the Minister administering the Act may, by written notice, refer any matter relating to taxi-cab fares or hiring rates to the Essential Services Commission for the Commission to conduct an investigation into that matter.

As required by the Act, the Minister for Finance has been consulted in relation to a proposal that the Commission investigate a specific matter relating to taxi fares as set out below. The Minister for Finance has endorsed this proposal.

Consequently, I now ask the Commission to investigate and report to me on an appropriate 'fixed fare per head' pricing structure for late-night, share-ride taxi trips in high occupancy taxi-cabs operating from the Safe City Taxi Rank at 95 – 113 Moorabool St in Geelong, on Friday and Saturday nights.

The core objective of the late-night share-ride taxi service is to both grow the taxi market and to maximise taxi occupancy by providing an incentive for passengers to share a high occupancy taxi with others travelling in the same general direction. This will relieve pressure on the conventional taxi fleet from patrons of late night entertainment venues in the Geelong central business district.

The Commission's investigation, report and recommendations should be consistent with the following:

- the service should present a viable alternative to taxi users who individually may seek a lower cost taxi trip than hiring a taxi exclusively for their own use, but who require door to door transport not facilitated by other late-night transport services,
- the service should be supported by taxi drivers on the grounds that they will receive payment equal to or greater than the comparable taxi fare calculated by a taximeter according to time and distance,

- the late-night share-ride taxi service is initially proposed to operate from the Geelong Safe City Taxi Rank on Moorabool Street in Geelong to Geelong urban areas and to townships up to and including Lovely Banks and Lara (to the north), Mount Duneed, Breamlea, Torquay, and Jan Juc (to the south), Ocean Grove, Point Lonsdale, and Queenscliff (to the east), Drysdale, Clifton Springs, and Port Arlington (to the North East), and Bannockburn Central (to the west),
- the appropriate passenger numbers per share-ride taxi trip to ensure the service is both viable for the taxi industry and attractive to taxi users, and
- any levy to recover the operating costs of the rank (for example, taxi marshals or security personnel) will be an add-on to the Commission's recommendations on the 'fixed fare per head' pricing structure, and hence the Commission does not need to incorporate any 'marshal levy' into its recommended fare structure.

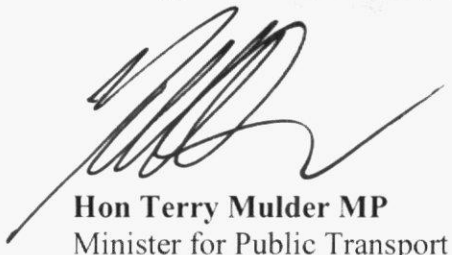
Further, the Commission is to have regard to:

- the findings contained in the draft and final reports of the Taxi Industry Inquiry, both entitled *Customers First: Service, Safety, Choice*,
- relevant findings of the recent Essential Services Commission report *Late night, share ride taxis – a pilot program*, dated 23 November 2012, and
- the operational details in relation to the service as developed by Geelong Taxi Network (see **Attachment A**).

The following directions have been given under section 186(4) of the Act:

- The Commission is to conduct the investigation in a manner as described in section 187 of the *Transport (Compliance and Miscellaneous) Act 1983*, and
- The Commission is to provide its report and recommendations to the Minister for Public Transport within nine weeks after receipt of these terms of reference.

If the Victorian Taxi Directorate can be of any assistance to the Commission during this review, please contact Mary Benson on telephone (03) 8683 0712



Hon Terry Mulder MP
Minister for Public Transport

13 / 01 / 2013

Att A: Operational details – Geelong Taxi Network

GTN NIGHT LINK MAXI SERVICE GEELONG 2013 - A PILOT PROGRAM

Introduction

Geelong Taxi Network support the principle of operating a "Late Night Share-ride Taxi" on a fixed-fare per head pricing structure for late night passengers travelling from the Geelong City Urban taxi zones. The principles contained and offered to the Victorian State Government for the operation of the late night share-ride taxis have been well demonstrated and supported in Brisbane. The longevity of the program is clear evidence of the success of the program which will be easily replicated in Geelong as a similar program.

Geelong Taxi Network have for a number of years been consulting with the City of Greater Geelong and Victoria Police in order to operate a "Night Link Maxi Service" in the Geelong Urban and Torquay and Bellarine Country Taxi Zones. Geelong does not have a suburban train service nor does it have late night bus service. The current "Night Rider Service" has been reported to not be sustainable due to low usage and shortfall funding by Council. Our proposal in principle and detail is similar to the late night, share-ride taxi service proposed for the Melbourne pilot with shuttle differences to ensure taxi pickup even if a share-ride service is not required..

In saying that, simplicity is the key to the success of the service and a sustainable late night share-ride program beyond the pilot. Simplicity is necessary for all stakeholders and we would suggest would be more efficient and successful without some of the added complications of the Brisbane model e.g. multiple zones, passenger groups and discounts.

General Information

- The service is known as "**Geelong Night Link Maxi**".
- The "**Geelong Night Link Maxi**" will be serviced by the WAT maxi fleet operated by Geelong Taxi Network in the Geelong Urban Taxi Zone.
- It will operate between set times, similar to the Safe City Taxi Rank, which currently operates from 1.00am to 6.00am on Sunday mornings and is situated in Moorabool Street, Geelong CBD.
- It will not rely on a timetable and a direction.
- The Night Link Maxi disperses people from the Safe City Taxi Rank progressively at the time they are ready to travel using the next Maxi available at the Safe Rank.
- Passengers are not reliant on a timetable based departure.
- The "Safe City Rank to Door Service", overcomes another issue which the current Night Bus faces and that is the issue of dropping a number of people at a set destination which often leads to destructive vandalism of both commercial and private properties e.g. the bus travelling to Ocean Grove had to change its destination to the Ocean Grove Police Station in order to overcome that type of vandalism.
- A taxi marshal is essential to co-ordinate the orderly queuing of passengers waiting to travel in respective directions in order to provide an efficient dispatch service.
- The taxi marshal will be provided by City of Greater Geelong (potentially under contract from a selected security company) and must be a person with full understanding of the taxi industry rules and regulations and preferably with a vocational taxi background as

well as the ability to safely organize passenger groups of travelers and co-ordinate Maxis to deliver the service.

- The simplicity of this system is that if there are no passenger groups ready to travel on the Night Link Maxi, then the maxi that has then arrived ready to travel through the Safe City Taxi Rank will be given a standard fare, or normal HOV group fare.
- This is encouragement for the maxi drivers to then return to the Safe City Taxi Rank for the next Night Link Maxi or standard fare pick-up when the previous fare is completed.
- Geelong is somewhat unique compared to Melbourne CBD as it does not have late night public transport services e.g. it does not have late night bus services and it does not have a metro rail style service across town at any time.
- Consequently passengers are heavily reliant on taxi-cab services and even more so with a successful Night Link Maxi Service providing a far frequent and user friendly alternative to the normal taxi-cab services, if the passenger prefers to use the service.

Operational Procedure

- The **“Geelong Night Link Maxi”** service will operate through the existing Safe City Taxi Rank situated in Moorabool Street, Geelong CBD.
- As groups were organized by the security team, the next maxi travelling through the Safe City Taxi Rank will take that passenger group to the destination area of where the group was ready to travel.
- A Taxi Rank Marshal will be responsible for co-coordinating groups travelling together in the same direction.
- The group will be based on a group of six or more passengers travelling in one direction.
- It is also essential that additional security is required to assist to organize the groups.
- The taxi marshal will collect the fare and pass the fare to the driver, also communicating the destination plan of the passengers to the driver. (refer “Fares” & “Ticket System”)
- When a Maxi arrives at the Safe Rank it will be loaded by the Taxi Marshal and Security and dispatched in one direction.
- If there are not sufficient passengers for a Night Link Maxi Service the passengers can choose to:-
 - travel in a Maxi as a group at metered rates or
 - travel in separate taxis at metered rates or
 - wait until there is a larger group ready to travel as a Night Link Maxi fixed fare.
- The Night Link Maxi will drop passengers at the door or at a designated point along the route e.g. the corner of a street if the passenger felt more secure, or at another determined destination even relying on the meeting of other friends or parents to collect or escort the passenger’s home.
- The Night Link Maxi Service does not apply to inbound trips.
- All Taxi inbound trips will be treated as a standard booking or hail at metered fare rates.

Fares

- Night Link Maxi fares will be a fixed fare.
- The Night Link Maxi Service for Geelong will have a two level fare structure being:-
 - The Inner Zone for the Geelong Urban area and
 - The Outer Zone for the outer Country areas.
- The two level fare structure will ensure simplicity and provide a vital service for those who choose to use it compared with the use of a standard taxi-cab.

- The Inner Zone will cover the greater urban zone including:-
 - Geelong, Corio and Norlane to the North
 - South Geelong, Waurin Ponds and Grovedale to the South
 - West Geelong, Belmont, Highton/and Herne Hill to the West
 - East Geelong, Moolap and Leopold to the East
- The Outer Zone will cover runs to:-
 - Lara
 - Ocean Grove, Point Lonsdale and Queenscliff
 - Drysdale and Portarlington
 - Mt Duneed, Breamlea, Torquay and Jan Juc
 - Bannockburn Township
- The fares contain a component for the supply of the Taxi Marshal and additional Safe City Taxi Rank security.
- The Inner Zone fare is \$ 15.00 per passenger
- The Outer Zone fare is \$ 30.00 per passenger
- The fares will be collected by the Taxi Marshal and given to the Night Link Maxi Driver.
- The Taxi Marshal will keep a record of the fares given to each registered Maxi along with the Maxi registration number and the time and direction dispatched (Set Form xyz).

Maxi Supply

- The “Geelong Night Link Maxi” service will be provided by Geelong Taxi Network WAT Maxi Fleet.
- Up to 10 Maxis will be utilized from the fleet with additional backup available if required.
- GTN Urban WAT Maxi fleet consists of 19 Maxis.
- Supply of the Night Link Maxi Fleet will be predetermined by the WAT Call Centre.
- Flow of Maxis will be monitored by the WAT Call Centre and the Taxi Marshal.

Ticket System

- The “Geelong Night Link Maxi” service will use the additional safety of the proposed “Safe City Taxi Voucher System” which the Victoria Police have introduced into Geelong.
- This voucher system will also provide the passenger with a receipt for the fare and passage of travel.
- The voucher system consists of a three way ticket with minimum recorded details.
- The recipients of that ticket are the Passenger, Driver and the City of Greater Geelong.
- The added bonus of adding this system to the Night Link Maxi Service as well as standard cabs travelling through the Safe City Taxi Rank is the additional security for passengers and drivers which encourage all stakeholders to work with a process that works and benefits all parties.

Conclusion

Geelong Taxi Network is prepared for implementation but understand a small number of operational issues will need to be clarified and finalized prior to commencement of the service. We understand that these items will be addressed at a discussion meeting to be held with ESC.

APPENDIX B | THE COMMISSION'S ROLE UNDER THE TRANSPORT ACT

The following details aspects of the Commission's role under the Transport (Compliance and Miscellaneous) Act 1983.

Section 144A – Determination of taxi fares or hiring rates

- (1) For the purposes of the licence condition referred to in section 144(2)(d)(i), the Minister may from time to time determine the taxi-cab fares or hiring rates that may be charged.
- (2) The Minister cannot determine a fare or hiring rate under subsection (1) unless he or she—
 - (a) has referred the matter to the ESC for investigation under Division 9 and has received the ESC's report on the investigation; and
 - (b) has received a report from the licensing authority...

Section 186 – Reference by Minister

- (1) The ESC must conduct an investigation into any matter relating to—
 - (a) licence fees for hire car licences or special purpose vehicle licences; or
 - (b) taxi-cab fares or hiring rates—that the Minister by written notice refers to the ESC for investigation under this Division.
- (2) The Minister must consult with the Minister administering the Essential Services Commission Act 2001 before referring a matter to the ESC.
- (3) The written notice must specify the terms of reference for the investigation.
- (4) The Minister referring a matter—
 - (a) may specify a period within which a report is to be submitted to the Minister;
 - (b) may require the ESC to make a draft report publicly available or available to specified persons or bodies during the investigation;
 - (c) may require the ESC to consider specified matters;
 - (d) may give the ESC specific directions in respect of the conduct of the investigation;

- (e) may specify objectives that the ESC is to have in performing its functions and exercising its powers in relation to the investigation...

Section 187 – Conduct of investigation

- (1) Subject to this Act and any directions under section 186(4)(d), the ESC may conduct an investigation under this Division in any manner the ESC considers appropriate.
- (2) In conducting an investigation, the ESC is not bound by rules or practices as to evidence but may inform itself in relation to any matter in any manner the ESC considers appropriate.
- (3) The ESC may receive written submissions or statements.
- (4) If the ESC holds a public hearing—
 - (a) the ESC has a discretion as to whether any person may appear before the ESC in person or be represented by another person;
 - (b) the ESC may determine that the hearing, or part of the hearing, be held in private if it is satisfied that—
 - (i) it would be in the public interest; or
 - (ii) the evidence is of a confidential or commercially sensitive nature.
- (5) In conducting an investigation, the ESC—
 - (a) may consult with any person that it considers appropriate;
 - (b) may hold public seminars and hold workshops;
 - (c) may establish working groups and task forces.

Section 188 – Objectives not to apply

Except to the extent (if any) that the Minister otherwise determines, the objectives of the ESC under the *Essential Services Commission Act 2001* or any other Act do not apply to the functions and powers of the ESC under this Division.