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Submission to the Taxi Fare Review
Essential Services Commission
Level 37, 2 Lonsdale St
Melbourne VIC 3000

Dear Sir/Madam,

SUBMISSION TO TAXI FARE REVIEW

The purpose of this submission is to comment on the Essential Services Commission document "TAXI FARE REVIEW 2016 Consultation Paper" dated December 2015.

As a supplier of taximeters to the Victorian taxi industry it was reassuring to read that the ESC has taken note of the fact that the Taxi Services Commission is currently finalising new fare device (taximeter) specifications. As the ESC is aware, this involves a very significant upgrade in taximeter functionality requirements, indeed, the most significant rework of taximeter requirements for many decades.

While many of the broader details of the requirements have been foreshadowed by the TSC, many of the details of the specifications remains unknown to taximeter suppliers at this point in time. As a result, taximeter suppliers are either currently completing (or may have substantially completed) the development of new taximeter models to accommodate what is currently known of the proposed new specifications while allowing for sufficient flexibility to accommodate the detail of the specifications when these become available.

In view of the above, the industry is going through a tentative transition phase in which older conventional taximeter technology is gradually being replaced by more flexible mobile based technology. In due course it is expected that the TSC will publish an implementation timetable specifying when Victorian taxis will be required to be equipped with the new technology. However, at the time of writing this submission, the new specifications still have not been released and neither has the implementation timetable. Accordingly, the industry is still somewhat uncertain about these issues and the transition to new technology is taking place at a rather modest pace.

Given that there currently remains a level of uncertainty about technology requirements and the implementation timetable many operators are retaining their existing (older) technology and adopting a "wait and see" approach. In view of this, it was gratifying to read the following sentence at the end of section 2.5 of the Consultation Paper:

“We will continue to consult with the Taxi Services Commission and taximeter manufacturers to ensure any fare structures we may determine are implementable”.

The following comments refer to specific paragraphs in the Consultation Paper.

4.2.4 HYBRID DISTANCE TIME TARIFFS

This is called the “Double Tariff” system in Europe. Such tariffs have never (to our knowledge) been implemented in any Australian jurisdiction. Indeed, all Australian jurisdictions have exclusively (to our knowledge) used the “Single Tariff” system, which is based on a Time Tariff being applicable when a taxi travels below the cross-over speed and a Distance Tariff being applicable when a taxi travels above the cross-over speed.

The vast majority of taximeters currently used in Victorian taxis have been designed to calculate fares based upon the Single Tariff system and cannot be adapted to the Double Tariff system without very substantial modification and cost. Accordingly, we strongly recommend that the Double Tariff system (or Hybrid Distance Time Tariffs) are not implemented for this present taxi fare review.

It is expected however, that the new range of taximeters (fare devices) which are being developed to meet the proposed new TSC specifications would have sufficient programming flexibility to be capable of operating the Double Tariff system. Accordingly, this system may be considered for future taxi fare reviews. However, for the current taxi fare review, the Double Tariff system is not a practical option.

4.3.2 FIXED PRICE FARES

There are different ways in which Fixed Price fares may be implemented.

One option is for the ESC to nominate specific fixed price fares for specific journeys, e.g. a fixed price fare of \$50 to apply to all trips between the airport and CBD. Such an arrangement would require one of the 9 available tariff slots in a Schmidt G4 taximeter. The tariff would be set up as having a flagfall of \$50 with the time and distance rates set to zero. Using this approach, a total of 6 separate fixed price fares tariffs could be programmed into a taximeter which incorporated the 3 existing tariffs, namely Day, Overnight and Peak.

However, it appears that the Consultation Paper contemplates an arrangement whereby a single tariff slot is reserved for fixed price fares and the driver enters the agreed fixed price fare manually at the beginning of a trip. The option of providing the driver with the flexibility to enter a variable agreed fixed price is not practical for G4 Taximeters since there is no software or hardware support for such functionality. Such support is however available on taximeters designed to meet the proposed new TSC requirements.

As noted in the Consultation Paper, there is anecdotal evidence that some drivers are abusing the new Queensland requirements which enable the use of fixed price fares. This was a very poorly thought out requirement and no restrictions were placed on the operation of fixed price fares when the Queensland

Government made this a taximeter requirement as at 1st July 2014. As a result, we have heard numerous reports of unscrupulous drivers ripping off unsuspecting passengers.

In our experience, there have always been a proportion of taxi drivers who will take advantage of any “flexibility” which a fare structure offers. A good example of this is the \$2.00 booking fee in the Melbourne Metropolitan area which is very widely abused. We know of many drivers who always apply the \$2.00 booking fee, even for rank or hail fares. They argue, that if someone hails them in the street then they have been “booked” and the \$2.00 booking fee is applicable. Many passengers are simply unaware that they are being over-charged.

As a result of such attitudes we have always held the view that the fare structure should be automated as far as possible and that as little latitude as possible be given to drivers to exercise discretion.

Accordingly, it is our view that if latitude is provided (in this case to apply a variable fixed price fare) then there will be many who choose to abuse that latitude. Accordingly, the introduction of a variable fixed price fares would, in our view, be counterproductive.

However, there is definitely a place for fixed price fares within the industry. In our view fixed price fares would be effective for specific routes provided that they are triggered by location coordinates. For example, the new range of taximeters would be able to implement a fixed price fare from Melbourne Airport to the CBD, so that if a fare was started at the airport and ended at the CBD, the meter could display the regular progressive taxi fare during the course of the journey, but when the fare was stopped at a CBD destination, the applicable fixed price fare would be displayed. When fixed price fares are pre-programmed and associated with a specific start and end location there is reduced latitude for an unscrupulous driver to take advantage of an unsuspecting passenger.

I thank the ESC for the opportunity to make this submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Gary Schmidt', with a stylized flourish at the end.

Gary Schmidt
CEO