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11 April 2014
Our ref: C/14/4378

FINAL REPORT – TAXI FARE REVIEW 2013-14

Dear Colleagues

The Government has responded to our review of taxi fares. Our report is now available on our website.

Our report is long but it provides you with a full account of the data and the analysis we used to reach our conclusions. A shorter 'overview' is also available and can be downloaded separately.

In summary, our findings were:

- Overall, fares should increase by 12.5 per cent, however, there is some variation in the increases that will take effect at different times of day.
- In the metropolitan and outer suburban zone, the current two-period fare structure should be replaced by three fare periods:
    - a 'day' fare period (9am to 5pm)
    - an 'overnight' fare period (5pm to 9am, excluding the 'peak' fare period), and
    - a 'peak' fare period (10 pm to 4am on Friday and Saturday nights).
- The Tariff 3 surcharge should be replaced by a flat $14 add on fee for HOVs.
- In the urban and country zones all flagfall, distance and waiting charges should be increased by a flat 12.5 per cent uplift factor.
- Booking fees should remain unchanged and the airport parking fee will increase to $2.70.
- The times at which holiday rates apply should remain unchanged.

In coming to these findings, we have:

- updated our estimates of operational costs to reflect changes since 2008. Where we encountered uncertainty regarding these costs, we have adopted a cautious approach. To be clear, by "cautious" I mean we have given the benefit of the doubt to the industry
- accounted in full for the new revenue sharing arrangements which will see the farebox split 55:45 between the driver and the operator, respectively
- recognised that as the taxi industry becomes increasingly competitive, investment in the industry will require a rate of return that adequately reflects industry risk, and
- developed new fares based on the existing zone structure given the new zones are still to be determined.

In addition, we have satisfied the legislative requirements that we seek to address concerns identified by the Taxi Industry Inquiry (TII). These include:

- rebalancing fares by increasing the flagfall charge relative to the distance and waiting tariffs to make short trips more attractive
- increasing peak time fares to better reflect the supply of, and demand for, taxi services at different times of the day and week, and
- replacing the current 50 per cent Tariff 3 surcharge for High Occupancy Vehicles with a flat fee.

The terms of reference for this review also asked that we give regard to the best way of dealing with volatile costs, especially the price of fuel. We have concluded that because of the other measures we have taken in this review, there is no need for a special mechanism to deal with volatile fuel prices. Those measures include:

- a generous allowance for the price of LPG. We have assumed an LPG cost of 88-91 cpl. This is considerably higher than the average price over the last year
- a cautious approach when determining all other operational costs, and
- a rate of return that accounts for industry risks, including volatile fuel prices.

In the event of unforeseen and sustained circumstances, we retain the option of revisiting our present findings or bringing forward our next fare determination.

Ahead of our next scheduled review (expected to be completed before the end of 2015), we will be exploring opportunities for more sweeping reforms to the way in which fares are determined and structured. We will, of course, be consulting widely before implementing any of these options.

Finally, on behalf of my fellow Commissioners, Andrew Chow and the team, I would like to extend our gratitude to all those who have taken the time to contribute to our review. We appreciate your time is precious and we are thankful for your contributions to this review. We look forward to a strong, on-going relationship with the Victorian taxi industry

Yours sincerely

Dr Ron Ben-David
Chairperson