



Taxi Public Forum

Taxi Fare Review 2016 – Draft Report

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TRIM REF:

Approach to our review

- Focus on reviewing **market outcomes** -
 - observing what has happened to the balance between supply and demand for taxis at particular times and particular places.
 - looking at how the fare mechanism can improve that balance.
- A rich source of taxi data is now available on:
 - demand for taxis (taxi trips)
 - the supply of taxis (active taxis and shift data)
- understanding market outcomes informs us as to what should happen to maximum taxi fares.
- Costs are no longer the sole focus of reviews (but we still review costs).
 - New technology and industry reforms have fundamentally affected the demand and supply for commercial passenger vehicles.
 - No longer a closed system where demand and revenues can be predicted by a taxi fare regulator.

Figure 3.3 – Demand for taxi trips (by quarter 2013-14 and 2014-15)

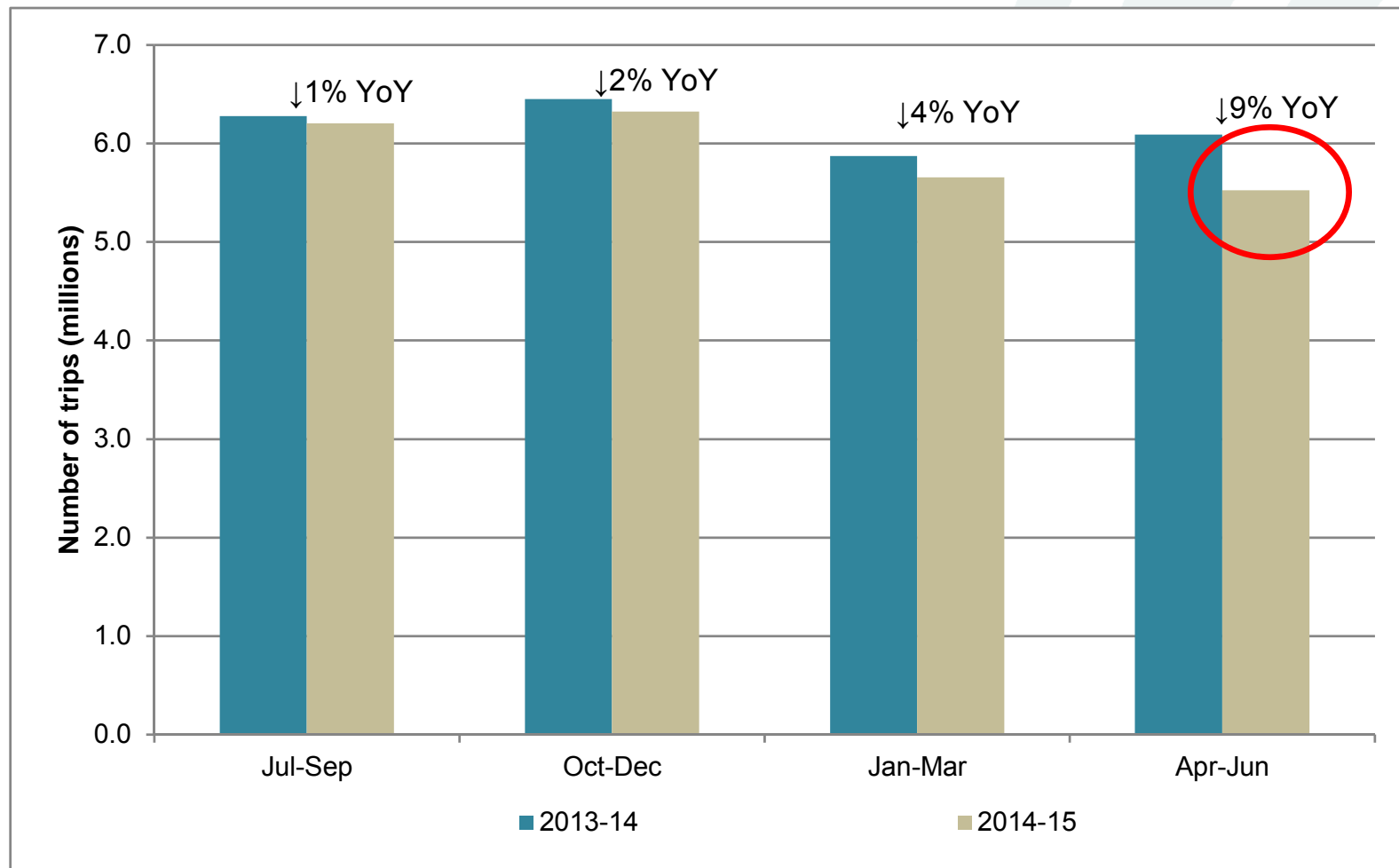


Figure 4.3 – Change in trip volumes by tariff period (by quarter 2013-14 and 2014-15)

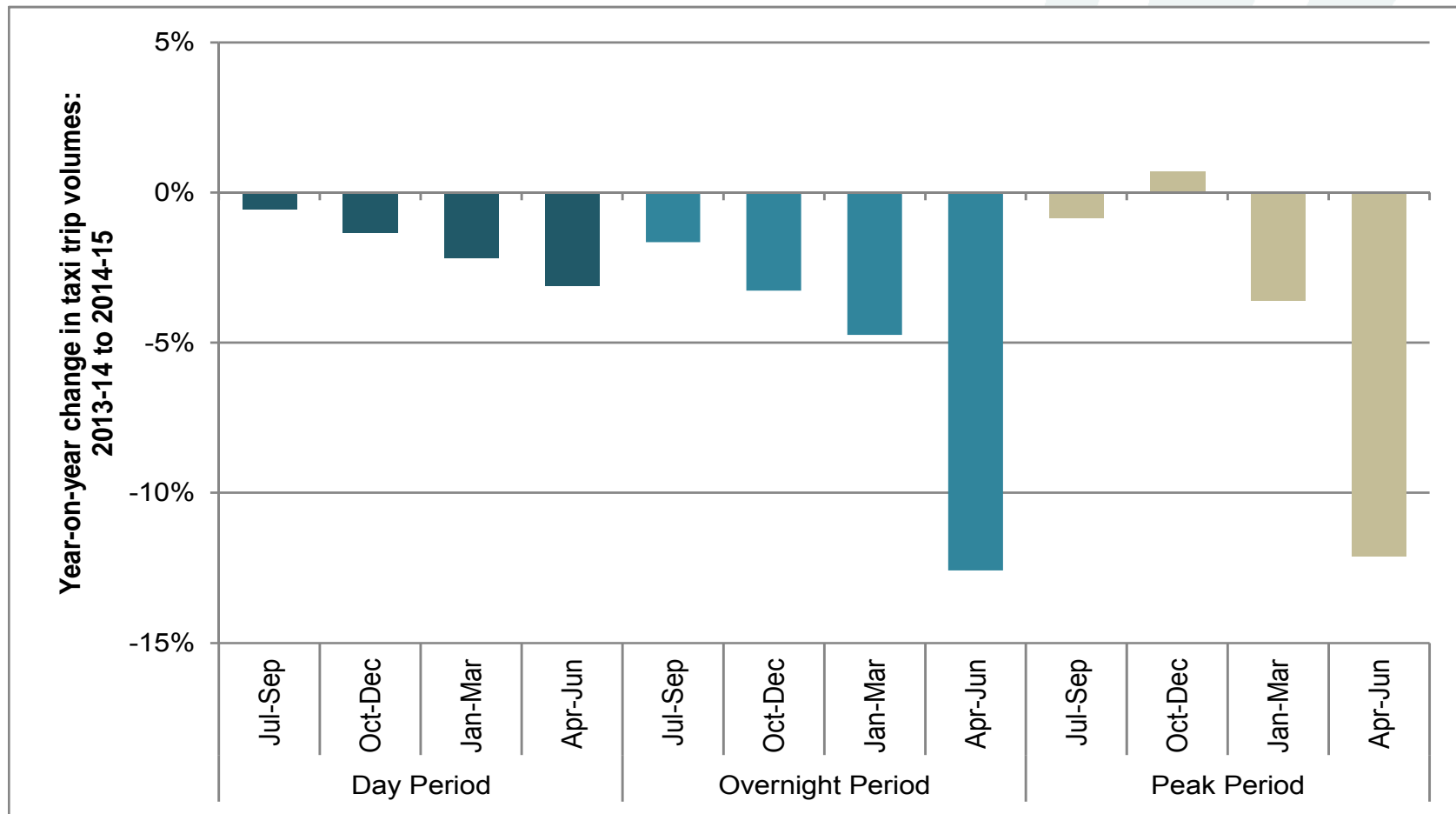


Figure 3.5 – Supply of taxis by quarter: 2013-14 and 2014-15

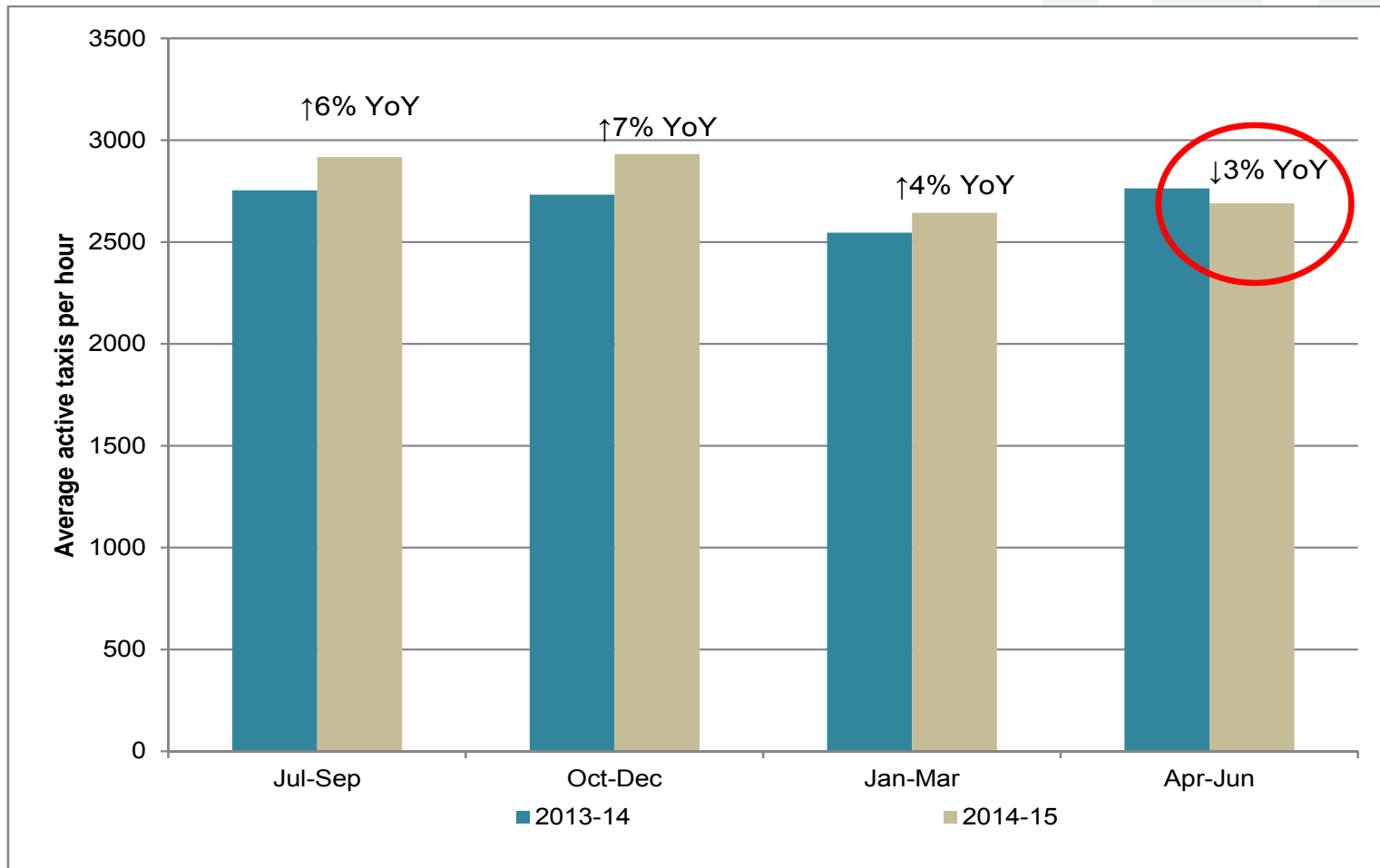
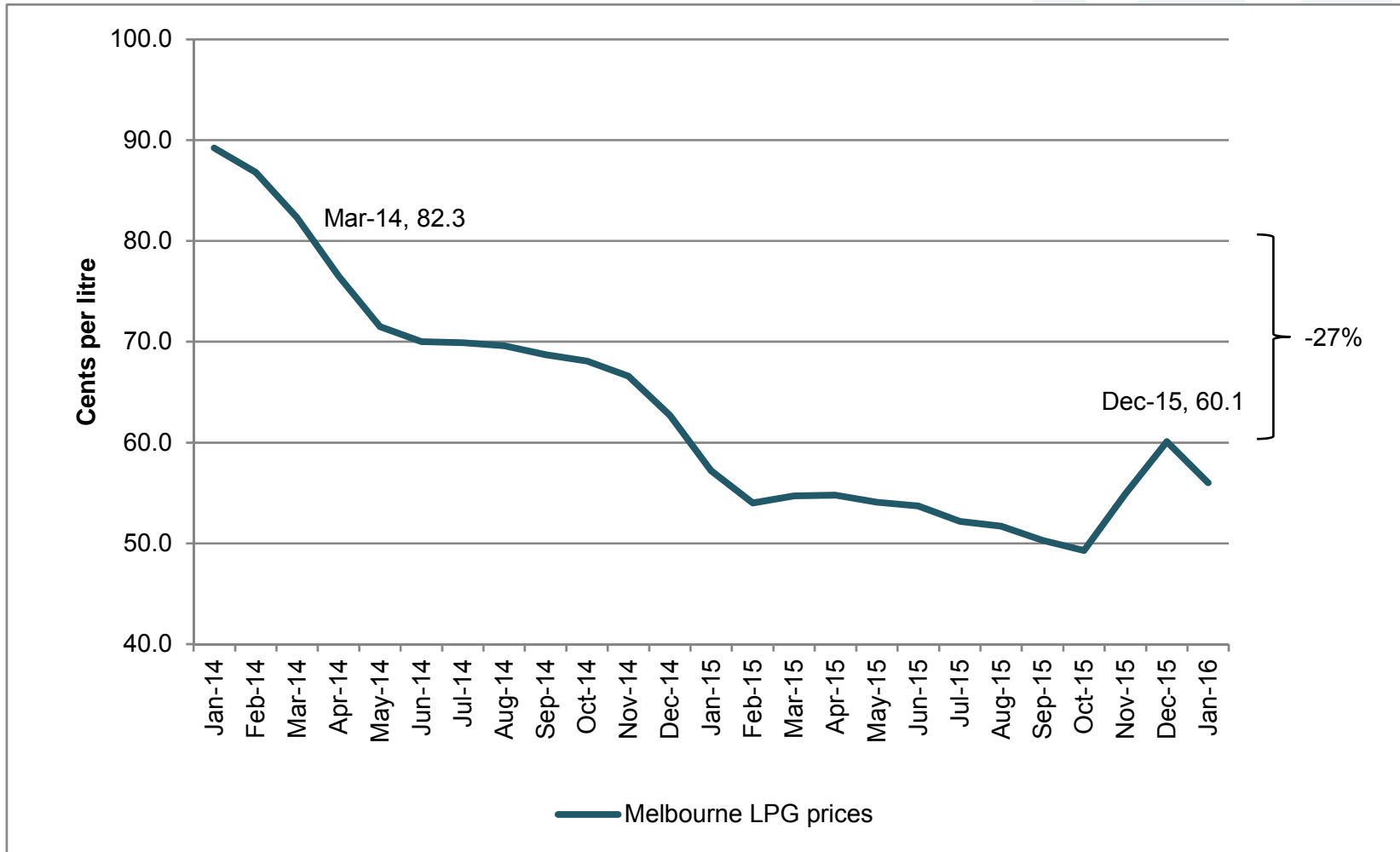


Figure 3.9 – Change in Melbourne LPG prices: 2014-2016



What does this mean?

The data is telling us there is:

- falling demand for taxi trips
- increasing alternatives to taxi services
- taxi supply increased in 2014 but now declining
- falling costs

This means there is increasing pressure on taxi service providers to retain market share either by:

- lowering fares and /or
- improving service

Role of fare regulation

- Given these market outcomes, it may not be desirable for the fare regulator (the ESC) to force lower fares via regulation because:
 - taxi fares are **maximums** and taxi service providers have a choice in how they respond (they can lower fares if they choose).
- We don't want to undermine the flexibility of how the industry responds.
- We don't want fare regulation to be a barrier – and the main way it could be is if we set fares too low.

Figure 4.4 – Comparison of average active taxis and average trip volumes by hour of the week: 2014-15

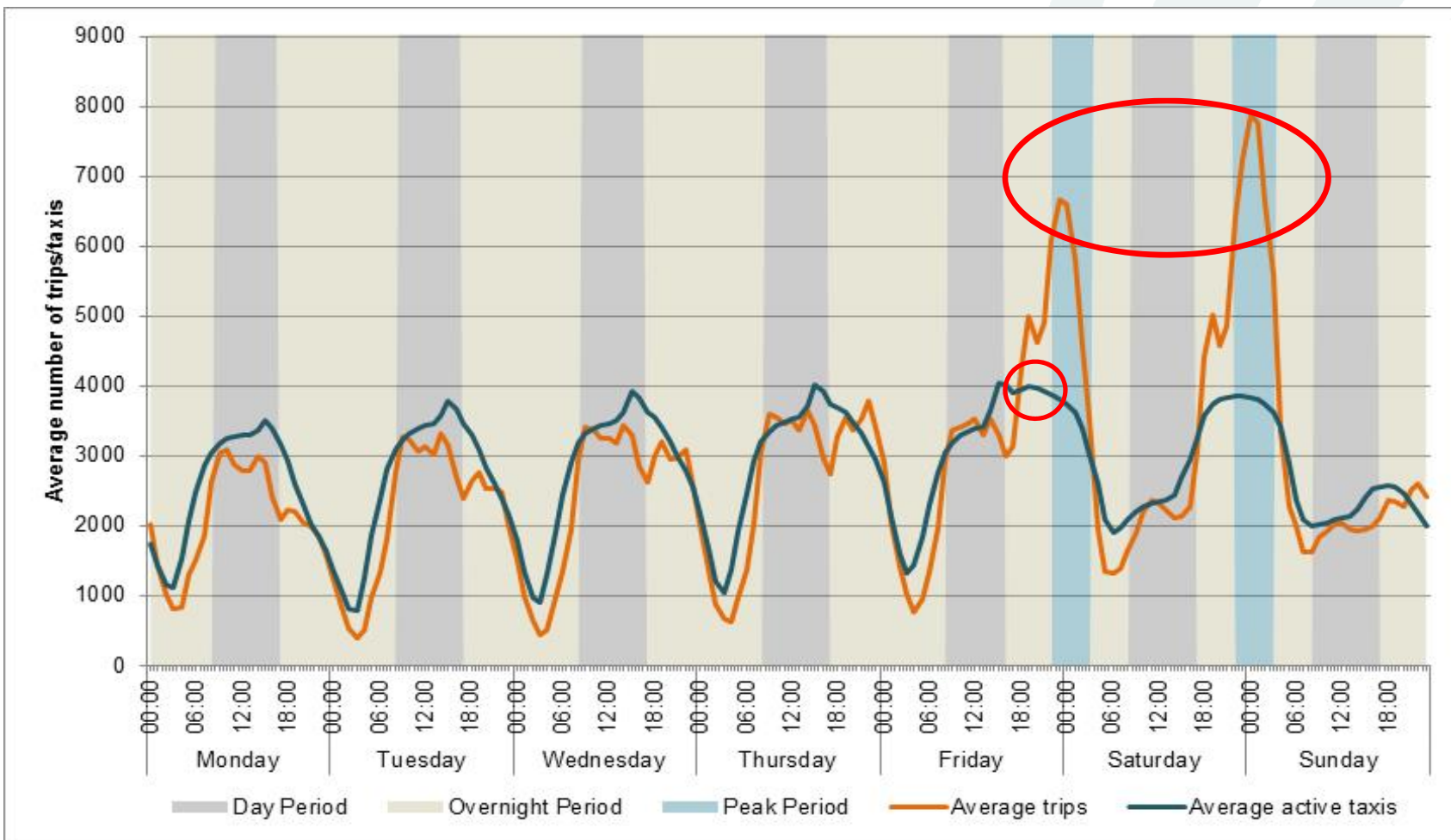
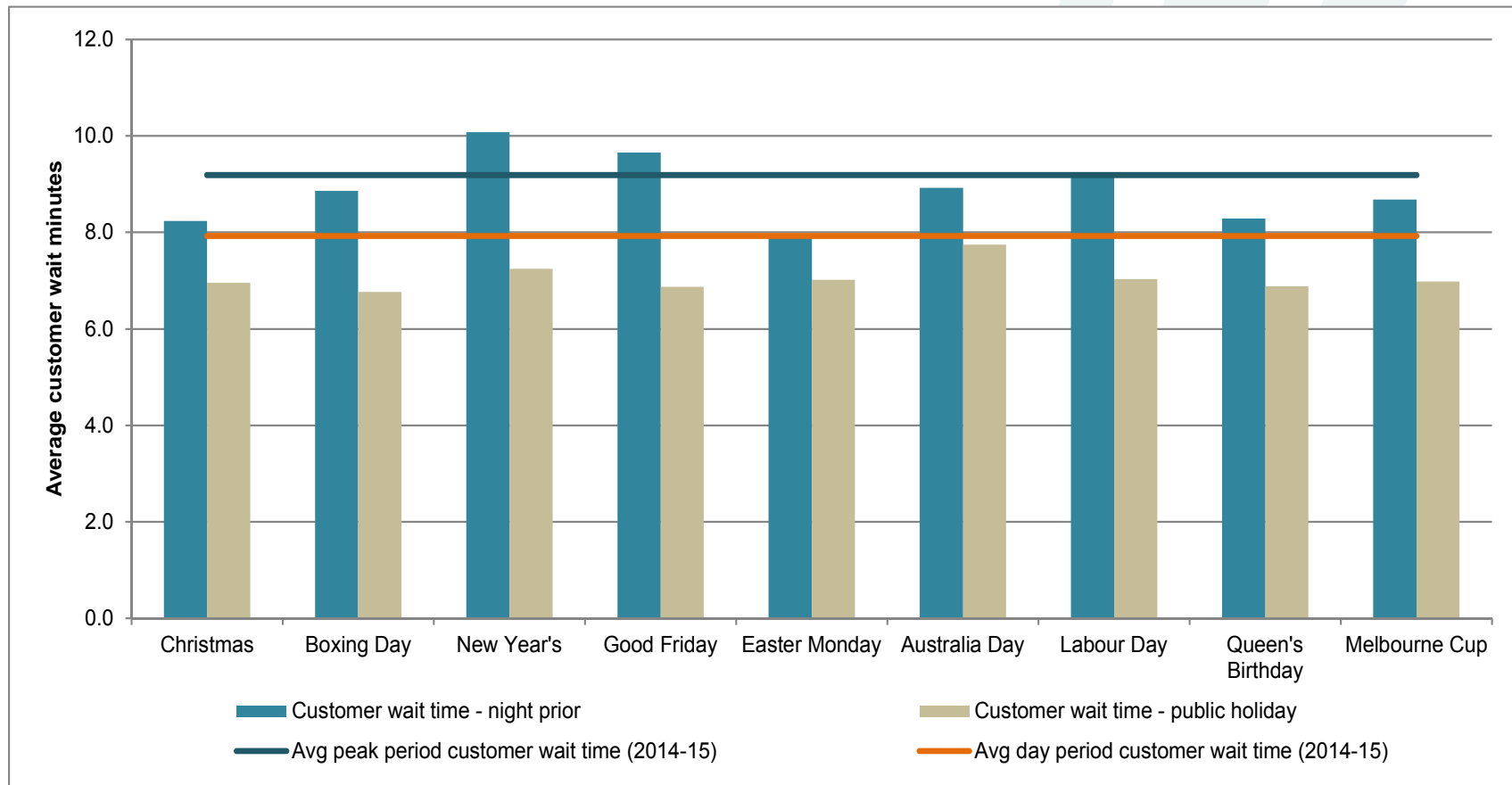


Figure 4.6 – Average customer wait minutes for trips on evenings prior to public holidays and during public holidays: 2014-15



Peak Booking Charge (PBC)

- Given greater competition in the market for booked services – we think there is merit in allowing a maximum peak booking charge.
 - capped at \$10 (set anywhere between \$0 and \$10)
 - only applies for booked trips and during peak periods
 - it does not apply to rank and hail
 - must have sufficient consumer protections (passengers to be informed of choice and charge and given option to accept or reject)
 - up to the industry if it wants to introduce the PBC (we are not saying you have to.)
- ESC will not prescribe the service offering the PBC reflects – leave that to the industry.

Example of how a peak booking charge may work

- A smartphone taxi booking app may offer customers the option of a booking guarantee for an additional fee (for trips booked for during the 'peak tariff' period).
- Once customer has accepted & confirmed, the peak booking charge would be charged to customers' registered payment details.
- The charge would be refunded if the network does not meet its guarantee.
- The charge could be kept by the network/driver as a cancellation fee should the passenger not show up.

Potential benefits of a PBC

It could provide an incentive for:

- 1) innovative taxi booking service models
- 2) improved reliability of taxi booking services at peak demand times
- 3) a more suitable level of compensation to a driver for travelling to a pre-booked fare (e.g. a cancellation fee)
- 4) a reward for offering higher quality services, such as better vehicles or booking guarantees or other offerings consumers may value.

For discussion - ESC's proposed changes to metropolitan zone taxi fares

- Peak tariff rates would apply as maximum fares **from 7pm** on Friday and Saturday nights until 4am the next morning (instead of from 10pm currently).
- Peak tariff rates would apply as maximum fares from 7pm on the **evenings prior to all public holidays** until 4am the next morning.
- A new '**maximum peak booking charge**', could be charged (up to \$10) for booked trips during the 'peak tariff' period.

END

