

Unbooked taxi fare review 2022

Email submission

Date submitted: 11 April 2022

Submission written by: Gange Corporation (owner of Silver Top)

I write to you as CEO of Gange Corporation, a Family owned business that owns Silver Top, West Suburban Taxis and Frankston Taxis. It also owns 50% of Geelong Taxi Network.

The purpose of this correspondence is to add our experience to your research materials to assist your deliberations regarding the current review of unbooked Taxi Fares.

Since the last review there has been the significant event of COVID which all but shut down the Taxi Industry. Our Bookings fell to 20% of pre covid levels.

The other more recent event which is impacting the industry is the Ukraine War which is impacting Oil prices globally.

We believe that like the rest of the CPV market in Victoria (including Ride share) that the biggest impact of COVID has been the severe reduction in our Driver supply such that getting any drivers of any CPV currently is difficult and we do not see that changing any time soon so we do not wish there to be any negative impediment from your review to getting more people behind the wheel of Taxis in Victoria to meet the demand which is increasing returning post COVID. During COVID drivers sought other work opportunities not subject to lock downs or ceased work and took the Government payment only to return overseas at the earliest opportunity in DEC last year when the borders reopened.

The combination of these two extraordinary events has seen a 1/ Severe shortage in Drivers for any given level of demand and 2/ A Turbo charging of extant inflation as a result of COVID impact on supply Chains.

All this means that there are material increasing operational considerations and costs to operating a Taxi Network in Victoria.

Notwithstanding the Federal Government's welcome reduction in fuel excise in the short term, longer term it is important to our thinking that your Taxi Cost Operating models include a degree of variability for the major costs such as fuel. Clearly if Fuel nearly doubles in price and the revenue line for Taxis doing unbooked work does not then there will be no Taxis on the road.

We have until now taken a conscious decision within our networks to use the ESC unbooked tariff for all our booked work rather than use dynamic pricing ie, surge pricing which we believe is inefficient, predatory and market distorting.....and the travelling public tell us they dislike it intensely. Dynamic pricing has been shown in the CPV market to underprice services requiring massive subsidies from e.g. Rideshare operators, which they then claw back through their take of the fare box through surge pricing. It is important to note that Taxi networks being in the main subscription businesses that do not share in the fare box of their subscribers, and in our case have no interest in joining a market distorting marketing game for bookings that undershoots the real cost of transport for marketing purposes, and then manipulates prices over and above the true cost of service. That Taxis must compete for rank and hail work with Rideshare distorting the perception of the cost of travel is a key feature that your review can address.

It is vital that this distinction is made between rideshare and Taxis. Some of our account work (B2B) is negotiated at a discount to the ESC tariff but we do not exceed it on our booked business so for us it is absolutely vital that your Tariff reflects the reality of costs and provides adequate incentive to Drivers to provide the service and meet demand based on a socially acceptable tariff. We think this is just good public policy and differentiates our operations from that of rideshare which have been plagued with modern slavery and other charges, and which presumably are not the concern of the ESC review as Rideshare do not /should not operate in the unknown unbooked passenger part of the market.

It is therefore vital that the unbooked tariff set by the ESC meets the demands of the market, ie drivers to supply the service as well as the demands of the travelling public.

The increase in the number of Illegal Unregulated and Unreported trips "IUU Trips" should be of major concern to regulators of the CPV market in Victoria, as well as to the Treasury as this activity denies the Treasury the CPV Levy.

While this is perhaps not a direct consideration for your deliberations, we mention it to provide context if there is a reported view of an increase in Taxi numbers. These vehicles are not subscribing to full service complying BSP's such ourselves; they are therefore increasingly independent operators largely beyond the regulatory reach.

We have previously submitted that we would like the Commission to consider the averaging of flag fall over the trip as is the case in Rideshare to avoid "meter shock" at the start of Taxi Trips. We cannot see why this cannot be implemented.

Similarly our network uses Time or Distance in its metering as we think this is the most equitable approach for congested metropolitan areas in which our fleets operate, sharing the true economic cost of a trip between the passenger and the service provider, the driver, noting that unlike Rideshare we as a Taxi network do not take a share from the Farebox.

Recommendation:

We have previously submitted to the ESC in previous reviews that the Tariffs were "about right", such that a good diligent and compliant Taxi operator could make a sustainable living.

The events of the past 2 years have altered that position.

It is against this background we recommend that the unbooked fare should definitely increase by an amount that addresses in some manner the material changes in fuel costs and the broader inflationary pressures in the economy noting that the Tariff has not been changed for a unfeasibly long time. In this regard we are providing input into your Taxi Cost Index via your consultants Honeycomb.

Summary

We believe the ESC Tariff is a critical benchmark not just in the Taxi market but the broader CPV market in general in that it should represent the commercially and socially acceptable cost of transport.

As the future of Taxis in Victoria are depending on an appropriate determination by the Commission the stakes associated with this review could not be higher.

We wish you well in your deliberations and are available to provide further detail as you see fit.