

25 January 2008

Taxi Fare Review
Essential Services Commission
Level 2 / 35 Spring St
Melbourne VIC 3000

Response to the Taxi Fare Review 2007- 08 Issues Paper

As the peak independent coordinating body of the social and community services sector, the Victorian Council of Social Service (VCOSS) raises awareness of the existence, causes and effects of poverty and inequality and advocates for the development of a sustainable, fair and equitable society. As well as promoting the wellbeing of those experiencing disadvantage and contributing to initiatives seeking to create a more just society, VCOSS provides a strong, non-political voice for the community sector.

VCOSS works together with its members on issues such as poverty and inequality and ensures that community resources and services are available and affordable. VCOSS promotes community participation as well as strengthening the value of citizenship in our community.

VCOSS has been working in the area of transport policy since 2003. Our central goal in relation to transport policy is the achievement of a sustainable city in which all residents have access to an affordable and accessible transport system which meets their mobility needs.

Impact of taxi fare increases

Taxis play a critical role in providing transport for many people with disabilities, older people, and those who are unable to drive and are not able to access public transport. In the absence of accessible (or indeed any) public transport in many areas, especially in rural Victoria, taxis are the primary means of independent travel for many Victorians. Taxis also provide an essential transport safety net for low income and disadvantaged Victorians who do not have access to a car. VCOSS transport focus groups with young mums found that taxis were used mainly in exceptional circumstances, such as having to travel home from hospital, or when cars had broken down.¹

Taxi fares are already at a level which is unaffordable for many people on a low income. Given this, and the important role of taxis in the transport system, the social impacts of fare increases, structures and price setting models need to be carefully considered.

People dependent on taxis to meet their transport needs face significantly higher transport costs than people who are able to access public transport. As noted by the Victorian Equal Opportunity and Human Rights Commission, “the current provision of taxi services does not provide the economic accessibility which is available to bus, tram and train travellers”.² This is due to the relatively high cost of taxi travel, lack of viable alternatives such as adequately funded community transport and the inadequacy of government concessions such as the Multi Purpose Taxi Program (MPTP).

The MPTP currently has a number of limitations which restrict its ability to ameliorate the impact of fare increases on low income and disadvantaged groups:

- the program is restricted to people with a permanent and severe disability;
- the subsidy cap which is applied to people with some types of disabilities and not others places a financial and psychological constraint on using taxi services;
- the program only covers 50 per cent of the fare up to \$30 – which discriminates against people who need to make longer trips such as people in rural areas; and
- the complexity of the application process acts as a barrier to people accessing the program.

People with a disability in Victoria are already financially disadvantaged compared to the wider population, which tends to negatively effect their social participation.³ It is imperative that the review recognises that substantial increases in taxi fares without compensation will further restrict the mobility of already transport disadvantaged Victorians.

Use of taxis by community sector organisations

Community sector organisations, especially those which offer services to people with disabilities and the elderly, often use taxis to assist people who have limited transport options to access their services. Due to the high cost of taxi fares, organisations often have to subsidise the cost of taxi travel to ensure that their clients are able to afford the travel costs associated with accessing their services.

Taxis are becoming an increasingly utilised in this way by the community sector. For example:

...there has been a movement to taxi travel as many non-government disability support providers shift their focus away from organised group transport... taxi travel is considered by a significant number of providers to offer a flexible and cost effective transport option, which provides scope for people with intellectual disability to pursue individual interests, outside group environments.⁴

Due to the lack of alternative transport options, the use of taxis to facilitate access to services is cost-effective in some cases compared to organisations running their own community transport fleet – but utilising taxis remains a significant expense within community service budget constraints. In the context of current and future funding models it would be very difficult for community service providers to assimilate sharp price increases.

Rapid or unpredictable increases in taxi fares would jeopardise the ability of community sector organisations to accurately budget transport costs for their

programs and would in term impact on service provision. From a community sector perspective, a taxi fare price setting model which is predictable and incremental is preferable.

Future changes to taxi operating environment

While it is important to provide certainty for both the taxi industry and the community with regard to fare increases, this needs to be balanced with significant changes to the operating environment and transparency of the taxi industry which are likely to occur within the 3-5 year period stipulated in the terms of reference.

The reporting requirements which came into effect under the *Transport (Taxi Cab Industry Accreditation) Regulations 2007* on 31 December 2007 will significantly alter the information available to inform future fare reviews and may also alter the costs of service provision.

A further review of taxi fares may be appropriate within the timeframe suggested in the terms of reference to take this information into account.

In addition, peak oil and climate change related costs may significantly alter the operating environment for taxis in the near future. Any proposed fare model should allow for flexibility to respond to these changes while minimising the impact of price rises on low income and disadvantaged taxi users.

Fare structure

Any proposed fare structure needs to ensure that sufficient incentive exists for drivers to respond to short trips. Anecdotally, taxi responsiveness to short trips is poor, especially in peak periods and in outer suburban areas.⁵ People dependent on taxis are more likely to take short trips within their local area to access shopping, health services or to engage in social activities. It is essential that fare structures contain a balance between incentivising short trips through the fixed flag fall rate while simultaneously not creating a situation where people taking short trips are paying disproportionately high fares.

Unfortunately, information regarding the efficiency and equity of the flag fall fare component is extremely limited. While the reporting requirements of the *Transport (Taxi-Cab Industry Accreditation) Regulations 2007* will provide some critical information which will help determine appropriate fare adjustments to improve taxi services for people with additional needs, they will not capture information on short trips.⁶

Price setting models

From a VCOSS perspective, any future price setting model for taxi fares needs to take into account:

- the impact of price rises on low income and disadvantaged groups;
- the ongoing ability of the taxi industry to continue to improve service coverage and quality for low income and disadvantaged Victorians; and
- adequate wages and conditions for taxi drivers.

Increases in the price of fuel and other input costs in recent years may well have increased the operating costs of taxis at a rate greater than the Consumer Price Index (CPI). In the interests of a sustainable industry, mechanisms for recuperating these increased costs are important.

However, from a taxi user perspective, a pricing model which will lead to rapid or substantial increases in taxi prices will have negative financial and social impacts.

People dependent on fixed incomes such as government pensions are particularly vulnerable to price rises. Pensions are linked to CPI - therefore the choice of an ongoing fare adjustment model which is based on the CPI would help to ensure that transport costs do not become prohibitive.

Adequate wages for taxi drivers

Bailee taxi drivers represent some of the most poorly recompensed workers in Victoria.

Currently the most common distribution of fare payments between drivers and operators is 50 per cent. Given this, the current price setting model leads to a decrease in real wages for most taxi drivers over time as they receive a CPI -1% wage increase from which additional costs may still be deducted.⁷

Altering the current system to ensure adequate wages for taxi drivers is essential to:

- provide quality employment which allows for sick leave, superannuation and holiday leave;
- improve retention of skilled drivers; and
- increase the financial viability of providing additional training to drivers who transport passengers with additional needs (including in conventional cabs).

A financially sustainable taxi system which provides sufficient incentives to maintain a strong emphasis on service quality and maximise the benefits of driver training and experience will lead to a better quality service for people with additional needs.

There is also concern about possible income differential between WAT drivers and regular taxi drivers. Issues include:

- periods of 'dead running' between wheelchair jobs, as there is typically greater distances and longer gaps between wheelchair jobs;
- time taken to board and alight for wheelchair users; and
- impact of private bookings.⁸

This may create incentives to seek to maximise income through means other than wheelchair work such as ignoring wheelchair bookings through the dispatch system or concentrating on taxi rank work at Melbourne Airport.

Any future price setting model will need to ensure that that driver income from wheelchair trips is sufficient to ensure that these trips are prioritised.

Yours sincerely

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Chief Executive Officer

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- ¹ VCOSS, *'You might as well just stay at home': Young mums and transport in Victoria*, VCOSS, Melbourne, October 2007.
- ² Victorian Equal Opportunity and Human Rights Commission (VEOHRC), *Time to respond: realising equality for people with a disability utilising taxi services*, VEOHRC, Melbourne, November 2007, p. A-4.
- ³ Wilson, Oke and Vecellio, *Economic hardship and social participation*, SCOPE Victoria, Melbourne, October 2005. Available from http://www.scopevic.org.au/info_1in4poll_031205.html
- ⁴ National Disability Services (NDS), *Submission on the Transport Legislation Review*, December 2007.
- ⁵ Eg Hume Transport Links Project, *Getting About in Hume: seniors' forum*, September 2006.
- ⁶ VCOSS, *Response to the Transport (Taxi-cab) Industry Regulations 2007*, November 2007. Available from <http://www.vcross.org.au/pubs/submissions.htm>
- ⁷ Transport Workers Union (Victorian/Tasmanian Branch), *Response to the Draft Report for the Taxi Fare Review 2005*, Melbourne, June 2005.
- ⁸ VEOHRC, p. A-16.