

Submission from Taxi Industry Stakeholders Victoria (TISV)

The TISV submission was submitted as comments within chapter 1 of the Commission's issues paper.



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LATE NIGHT, SHARE-RIDE TAXIS – A PILOT PROGRAM

ISSUES PAPER

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GLOSSARY

Brisbane NightLink taxi scheme	A share-ride taxi service for Brisbane's suburbs departing from three points in central Brisbane. Introduced in 2005, it operates Friday and Saturday nights, from 11pm til 5am.
Commission	The Essential Services Commission — Victoria's independent economic regulator of certain prescribed services as determined by Government. The Commission advises the Minister on taxi fares.
'Coverage of suburbs'	A measure used by the Commission to assess the attractiveness of a share-ride fare. For a given fare level, the measure gives the number of suburbs for which the share-ride fare is less than the standard fare, and hence the suburbs is 'covered'. The measure is related to the 'fare boundary'.
'Fare boundary'	The boundary implied by a share-ride fare level, which shows where the share-ride fare switches from being more to less expensive than the standard taxi fare. It provides an indication of the attractiveness of a share-ride fare across the suburbs of Greater Melbourne.
Fare zones	A possible geographic division of the suburbs of Greater Melbourne with corresponding share-ride taxi fares applicable to each zone. A one fare zone structure implies a single fare applies regardless of destination within Greater Melbourne.
Farebox revenue	The total fare for a taxi trip, i.e. the revenue derived for each particular trip. Usually this is calculated via a meter, however under the share-ride pilot a flat fare is to be paid per passenger, with the farebox revenue equal to the sum of passengers' fares.
Greater Melbourne	The area made up by the current Metropolitan Melbourne

	and Outer Suburban taxi zones.
High occupancy vehicle (HOV)	A class of taxi which can carry up to 11 passengers. Higher taxi fares apply to HOVs if carrying at least five passengers or if the hirer requests a HOV. The higher rate does not apply when the hirer is a wheelchair passenger.
Metered fare	The taxi fare for a journey as displayed on a taxi's required taxi meter. The fare rates (e.g. flagfall, distance rate etc) are determined by the Minister for Public Transport.
Metropolitan taxi zone	One of the separately licenced taxi zones in Victoria, which corresponds to most of Metropolitan Melbourne, excluding an area surrounding Frankston and Dandenong (the Outer Suburban taxi zone).
Multiple hire	Occurs when two or more unacquainted people agree to share a taxi from a common starting point to their respective destinations. The current multiple hire taxi fare provides that each hirer pays no more than 75 per cent of the metered fare at their drop-off point.
Outer Suburban taxi zone	A licenced taxi zone which corresponds to an area in the South-East of Greater Melbourne, incorporating the areas surrounding Dandenong and Frankston.
Rank marshals	Under the share-ride taxi pilot rank marshals will be responsible for explaining the service to potential customers and organising passengers into groups travelling in the same general direction to share a taxi.
Queen Street mega rank (QSMR)	Since December 2011, this taxi rank has operated between Bourke Street and Little Collins Street in Melbourne's CBD between midnight and 5am Friday and Saturday nights (during these times this section of Queen Street is closed to other traffic). It is the proposed departure site for the share-ride taxi pilot.
Share-ride taxi pilot	The Victorian Government's proposed pilot scheme for multi-passenger taxi journeys departing from the Queen Street mega rank with passengers organised into groups per taxi according to destination.
Taxi Industry Inquiry (Inquiry)	Established by the Government in March 2011 to

investigate and report on the functioning of the Victorian taxi and hire car market and propose recommendations for reform. The Inquiry released a draft report in May 2012.

Taxi zone

Taxi licences are attached to certain geographic areas (zones) in Victoria, limiting their operability. A taxi may only pick up from within its relevant zone. The four zones of Victoria are Metropolitan (Melbourne), Outer Suburban, Urban and Country.

Victorian Taxi Association (VTA)

The primary taxi industry body of Victoria, representing industry participants including licence holders, operators and network service providers.

Victorian Taxi Directorate (VTD)

A division of the Department of Transport responsible for the regulation of Victoria's taxi and hire car industry.

Wheelchair Accessible Taxi (WAT)

Taxis with WAT licences are designed to transport people in wheelchairs and must serve clients in wheelchairs as a priority before taking other fares. WATs may also operate as high occupancy vehicles (HOVs) that can carry up to 11 passengers when not carrying people in wheelchairs.

1 | REQUEST FOR SUBMISSIONS

Purpose of this review

This review will provide advice to the Minister for Public Transport on a fixed-fare per head pricing structure for the late night, share-ride taxi pilot being developed by the Victorian Government.

The Essential Services Commission's (Commission's) review role is to advise on the fare structure for the taxi pilot only, and its report will not cover the policy and operational aspects of the pilot which have been adopted by the Government, based on a proposal by the Victorian Taxi Association (VTA). These operational details are outlined in this issues paper (see section 3.4).

The Commission understands that the Victorian Government will review the pilot at its conclusion to determine its success, with the potential for such a service to form a permanent feature of Melbourne's late-night travel options.

Summary of issues for comment

The following summarises the issues raised in this paper for comment by interested stakeholders. They are intended to assist stakeholders make a submission to this review. However, the Commission encourages respondents to raise any other issues that are directly related to the fare structure advice role of the Commission (as provided for in the terms of reference). The Commission's review will not assess or determine the operational aspects of the pilot scheme, for example, safety issues, supply of drivers and taxis etc, as these are determined by the taxi industry regulator (i.e. the Victorian Taxi Directorate (VTD)).

Establishing fare zones

A fundamental issue for the Commission is whether fares zones (as apply to public transport in Melbourne, e.g. trains, trams and buses) should be established for the purposes of setting fares for the share-ride taxi pilot. Establishing multiple fare zones, while potentially adding some complexity to fare structure, can improve cost reflectivity as a benefit.

Question 1. Should a fare structure based on multiple zones be developed for the share-ride taxi pilot? If so, how many zones should be established?

This is an option, but is not preferred by TISV due to the complexities involved for passengers, especially visitors to Melbourne. It is our view that pro rata discounts taken off the meter should still be applied.

These discounts and the trip fares could easily be applied with the use of a ready reckoner held by the traffic marshal (as per current practice).

It is also essential for the trip details and passenger/group makeup to be recorded to assess productivity improvements (of the pilot) and be open to public feedback, so the effectiveness of all aspects of the service can be assessed.

Whilst TISV prefers the use of prorate fares from the meter, we still view the flat fare approach as a workable method.

Question 2. *On what basis should fare zones (if they are introduced) be established, e.g. based on suburb boundaries?*

The use of fare zones is not favoured, due to the subjectivity involved with the location of boundaries and the need for transferability to other locations.

Approach to setting late night, share-ride fares

The Commission's approach to establishing fares for the taxi pilot is guided by principles listed in the terms of reference (these are discussed in section 4.2 of this issues paper). These principles include that drivers should receive payment at least as great as the comparable metered taxi fare, and the share-ride service should present a viable alternative to users seeking a lower cost taxi trip compared to hiring a standard taxi.

Question 3. *Is the Commission's proposed methodology, i.e. its approach to meeting the pricing principles, reasonable to set a fare for the share-ride taxi pilot?*

Yes

Question 4. *Are there other pricing principles that the Commission should consider as part of its approach to developing the fare structure?*

Yes, these include:-

- *The late night surcharge currently delivers a 20% margin directly to the driver.*
- *The HOV – Tariff 3 currently provides a 50% surcharge for passenger groups of 5 or more payable directly to the driver.*
- *Consideration could be given to varying the current multi-hire fare arrangements to achieve a similar outcome.*
- *A Cash only approach may detract from passenger take-up given the significant level of credit card payments currently occurring within the taxi industry.*
- *Applying a fixed fare from a certain point (Queen St mega rank) does not lend itself to widespread application at other ranks despite the inclusion of transferability as a principle for the pilot's subsequent rollout in other areas – this is likely to lead to passenger confusion and is not favoured.*
- *The discounted standard fare and/or HOV fare approach is preferred because of its universal application without the need for further explanation to the public in relation to its application.*
- *Is there really a need to restrict the pilot to HOV's when multi-hire is also available for regular cabs. This would also increase the productivity and occupancy rates of the most common taxi fleet vehicles.*

Fares for friends travelling together

The starting point for the Commission's consideration of fares for the late night, share-ride taxi pilot is the proposal of the VTA — the Government has adopted the operational details proposed by the VTA, but has asked the Commission for advice in regard to fare structure. The VTA proposes a single \$30 fare for all passengers. The Commission notes that the Queensland schemes also offer a double and group (five or more people travelling together) fare.

Question 5. Should the taxi pilot include fare options in addition to a single fare, e.g. a double fare and a group fare?

TISV does not support a single fare for all passengers as this could easily wind up more expensive for passengers travelling in small groups (e.g. 2-4) when compared to the standard taxi fares applicable.

The same overriding principles should apply to passengers as well as drivers:

- They should not be disadvantaged relative to the current standard fare schedule.
Under the \$30 per head approach, passengers have the potential to be worse off, especially for shorter journeys and where family/friends are travelling together.
This is why a metered approach using multiple hire with pro-rata discounts is favoured – as it is more equitable to the passenger without disadvantaging the driver.

Question 6. If a group fare is offered, what is a reasonable group size?

Refer to previous point. It is not so much about the group size as it is about ensuring passengers are not disadvantaged when compared to travelling in a taxi by themselves rather than under multi hire arrangements.

Apart from this, a regular cab holds 4 passengers. Any more than this would require 2 cabs or a HOV, so group fares (which should attract a premium) should commence at 5 pax, and a further incremental premium should be added if 9+ pax are seeking travel as this represents more than 2 standard cabs.

In principle, the driver should not be allowed to charge 'the group' any more than the equivalent of the current Tariff 3 plus any surcharges applicable for the time/day of travel.

Discounts off the set fare

The Taxi Industry Inquiry has made a draft recommendation that taxi fares be set as maximums, rather than prescribed rates, to allow for discounting. The Commission also notes that the late night, share-ride taxi schemes in Queensland allow the rank marshal to discount the set fare for passengers when agreed by the driver.

Discounting could also be applied when the metered fare is less than the share-ride fare at the passengers' destination.

Question 7. *Should discounting of fares be allowed, either by agreement of both the marshal and driver, or by reference to the metered fare at the drop-off destination?*

Fare discounting should be allowed in principle and applied by the driver based on the taxi operator's directive at the time.

As previously indicated, TISV favours discounting the metered fare which could easily be advertised to passengers by the marshal using a ready reckoner system (whilst queued) and then passed on to the driver upon arrival at the rank (using a printed template which shows the calculated fares and charges).

An initial analysis of fare levels

Section 4.4 of this issues paper illustrates aspects of the Commission's methodology for assessing the share-ride fare structure. For the case of a single fare zone (i.e. a single fare applying regardless of a passenger's final destination within Greater Melbourne), the implications of an example \$25, \$30 and \$35 share-ride fare on passenger and supply incentives are explored.

This initial analysis shows that passenger and supply (i.e. driver/operator) incentives 'compete' with each other, i.e. passenger incentives cannot be improved overall without driver/operator incentives being negatively impacted. Further, the initial analysis illustrates that in assessing driver/operator incentives, an appropriate comparator needs to be identified.

Question 8. *How should the Commission balance supply and passenger incentives?*

Balancing the competing entities is an appropriate starting point for a maximum fare calculation, however if the driver/operator wishes to further incentivize the passenger(s), this should be at their discretion.

Question 9. *What are appropriate comparators when considering share-ride farebox revenue, e.g. the standard fare or HOV fare, and over what distance?*

The appropriate comparators should be the like for like fare over the same distance at the relevant time of day/day of week.

If a zonal approach is adopted, the fare should be applied to the geographic mean of the zone (software is available to determine this point) and a matrix built up to reflect that average travel distances from the rank to the geographic mean of the zone. This would allow an appropriate 'no disadvantage' test to be applied.

Invitation for submissions

Submissions are due by 5pm on 7 November 2012.¹ We would prefer to receive submissions electronically via

shareridetaxipilot@esc.vic.gov.au

Alternatively, submissions may be mailed to:

Share-ride taxi pilot
Essential Services Commission
Level 2, 35 Spring Street
Melbourne VIC 3000

The Commission will publish all submissions on its website. It is up to stakeholders to expressly identify any confidential or commercially sensitive information that they believe should not be published.

Any questions about this issues paper can be directed to Nick Hague on 03 9651 0256 or Dominic L'Huillier on 03 9651 3782.

¹ While the Commission's standard approach is to allow a 4 week period for submissions, the tight timeframes associated with this review have required a shorter period. This shorter period has been chosen on the basis of balancing the need of stakeholders to have sufficient time to make a submission with the Commission's requirements to complete the review on time. Further, since the share-ride concept is only a pilot at this stage, there is likely to be further opportunity for stakeholder input if the service is to become a permanent feature of Melbourne's late night travel options.